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WORLD NEWS

Tass reports 31 dead in border rioting

Thirty one people, including women and old men, were killed in ethnic rioting in the Azerbaijani city of Sumgait, Tass, the Soviet news agency said.

It was the first time Soviet authorities had revealed the death toll for Sunday's rioting, although government spokesmen had previously acknowledged people were killed.

The ethnic violence was sparked by a dispute over the redrawing of boundaries between the Soviet republics of Armenia and Azerbaijan. The Tass report blamed the killings on "hooligan elements provoked by disorder." Interview with Roy Medvedev, Page 2

Thatcher repulses Labour

In a vitriolic attack Prime Minister Margaret Thatcher repulsed Labour attempts to ridicule her claim of having assured Nato a modernised nuclear armoury. She insisted that she had got "precisely" what she wanted at the summit. Page 4

Sikh gunmen kill 32

Sikh gunmen killed 32 people, mostly Hindus, in north India as they watched a religious festival play. The massacre coincided with Prime Minister Rajiv Gandhi's decision to release four of five imprisoned Sikh priests to try to end the political impasse in the Punjab. Page 2

Oxfam kidnap fear

Two senior officials of the Oxfam charity, a Briton and a Syrian, were feared kidnapped in Sidon, southern Lebanon.

Land Rover warning

Land Rover's management warned its pay offer might be cut if the two-week-old pay strike at its Birmingham plant continued. Page 5

N-disaster cost

The Chernobyl nuclear disaster in 1986 cost the Soviet Union eight billion roubles (£7.56bn) a newspaper said.

Basque protests

Separatist sympathisers, protesting over the death in prison of a convicted guerrilla, burned houses, blocked roads and clashed with police in Spain's Basque country.

Ershad poll victory

President Hossain Mohammad Ershad's Jatiya party won a majority in elections in Bangladesh, in polls marred by violence and charges of ballot rigging.

Missile attacks resume

Iran fired two missiles at Baghdad in retaliation for an Iraqi rocket which killed eight people when it exploded in Tehran.

Subsidence inquiry urged

An investigation into Norwich city centre foundations has been urged, after a house and bus sank into holes in the ground.

London Rail link to open

A cross-London rail line, linking the Midlands with south-east England will start operating on May 16, British Rail said.

Windsor on the move

Torrential rain may have shifted the man-made slope on which Windsor Castle is built, cracking stonework and jamming some doors and windows.

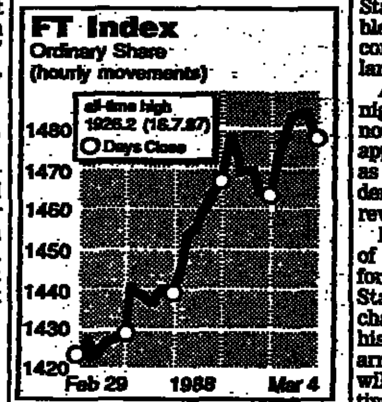
BUSINESS SUMMARY

Bank buys £1bn to stem pound's rise

BANK of England intervened heavily in foreign exchange markets yesterday to prevent the pound from breaching its unofficial ceiling of DM3. The pound closed at DM2.9975

The Bank has been intervening since the middle of the week and it was estimated to have bought foreign currency yesterday worth more than £1bn. Back Page

FT ORDINARY index closed at 1,478.7, up 55 on the week, helped by a rise yesterday of 15.1, which confirmed the pre-Budget advance in the UK stock market.



The Stock Exchange disclosed that equity market turnover topped £1.1bn on Thursday for only the third time this year. Market report, Page 12

BOEING's 737 short-to-medium-range aircraft has become the first jet airliner with more than 2,000 sales, after an order from US Air worth up to $2.5bn (£1.4bn). Back Page

PANAMA: The embattled regime of General Manuel Antonio closed all banks indefinitely because of a shortage of dollars. Back Page

US Treasury Secretary James Baker issued a strong warning on the dangers of protectionism to the world economy. Back Page

US: More than half a million new jobs were created last month reducing civilian unemployment to 5.7 per cent, compared with 5.8 per cent in January. Page 2

DEPARTMENT of Trade and Industry said it is investigating 22 cases of possible insider dealing in London.

CAMPEAU, Canadian real estate and retailing group, has agreed to sell two divisions of Federated Department Stores for up to $1.5bn (£846m) if it wins the battle for the US department store group. Page 10

SINGAPORE: Finance Minister Dr Richard Hu announced a neutral budget that kept nearly all the cost-cutting and fiscal incentives introduced in 1986. Page 3

TAN SRI Khoo Teck Puat, Malaysian entrepreneur, has sold his Southern Pacific Hotel Corporation chain for A$540m (£222m) to Hong Kong-based businessman Adrian Zecha. Page 10

ABERDEEN American Petroleum, independent oil company, will be coming to the Unlisted Securities Market after a set of merger deals that will increase the company's capitalisation to £11.6m. Page 8

UK CAR SALES reached a record of 181,172 last month, 7.42 per cent up on February 1987. Page 4

BRITANNIA SECURITY, business services and alarm installation company, announced doubled interim pre-tax profits of £4.35m. Page 8

FORD is to spend more than £3.4m to develop learning centres for employees at each of its 22 UK plants. Page 5

ADT, international services group, formerly the Hawley Group, reported pre-tax profits of $155.4m (£94.8m). Page 8

Top Bank official to take over as chief at Standard Chartered

BY DAVID LASCELLES, BANKING EDITOR

MR RODNEY GALPIN, the Bank of England's official in charge of banking supervision, is to take over as executive chairman of Standard Chartered, the London-based international bank.

The surprise appointment, which is unprecedented in recent times, was announced late yesterday. It comes at a time when Standard is going through a troubled period, which has made it conspicuously the weakest of the large UK banks.

Although it was stressed last night that Mr Galpin's move was not an emergency measure, the appointment was seen in the City as an attempt to bolster confidence in the Standard group and revive its flagging fortunes.

Mr Galpin, who has been one of the Bank's executive directors for the past four years, will join Standard's board as executive chairman designate as soon as his release from the Bank can be arranged, probably in July. He will take over as full-time executive chairman towards the end of this year.

Sir Peter Graham, the current chairman, will step down at that time. However Mr Michael McWilliam, Standard's chief executive, will resign immediately and hand over his responsibilities to Sir Peter.

The appointment arises from Standard's need to strengthen its management and provide a successor to Sir Peter, who had indicated his wish to step down. With the backing of Standard's board, Sir Peter approached the Bank some weeks ago about the possibility of Mr Galpin's taking over.

The approach coincided with the Bank's own long-running concerns about the strength of the Standard group, and the choice of Mr Galpin was agreed as a good solution which suited both sides. The appointment is being made by Standard's board, not by the Bank of England.

Mr Galpin, who is 56, is a career Bank man, who joined in 1952 and has worked in several departments. A striking military-looking figure with a crisp moustache, he was appointed an executive director in 1984.

One of his first responsibilities in that post was to handle the aftermath of the Johnson Matthey Bankers crisis, when he ended up as chairman of the rump of the JMB group after it was rescued from collapse by the Bank in October 1984. He has had no previous experience of running a commercial banking operation.

Mr Galpin is currently in the US, attending his son's wedding and was not available for comment last night. He will go into "purdah" before taking up his appointment.

Standard's troubles stem from a combination of Third World debt and the unsettled aftermath of the unsuccessful takeover bid by Lloyds Bank in 1986.

The group has a heavy exposure to countries in financial difficulty and is in the process of making large provisions as it finalises its 1987 accounts for release on March 30.

The big cost of these provisions – close to £500m – has already forced Standard to sell two US subsidiaries to raise $950m (£537m). Further measures are deemed necessary by City analysts to bring the balance sheet up to standards set by the other UK clearing banks.

Standard's room for manoeuvre is also constrained by its "white squires" – the Far Eastern shareholders who rescued it from Lloyds' hands, but who hold over a third of the stock. Although they have laid low, they are nursing heavy losses and are thought to be likely sellers if offered an attractive price.

The announcement of Mr Galpin's appointment came one day after Standard and the Financial Times settled a libel action over an FT article which could have

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Banks see Mexican debt move as useful innovation

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

INTERNATIONAL BANKERS and government officials yesterday moved to counter debtor-countries' disappointment at the outcome of Mexico's innovative debt-exchange offer.

The offer resulted in Mexico obtaining much less relief from creditor-banks than it had hoped.

On Thursday Mexico said it would issue $2.56bn (£1.44bn) of bonds in exchange for $3.67bn of loans tendered by banks at below face value.

Mexico offered up to $10bn of bonds and hoped banks would put a far lower value on loans when submitting them for exchange, so enabling it to cut its $103bn debt substantially.

Bankers calculated Mexico would make a net saving on interest payments of about $100m a year through the exchange.

Only 139 of Mexico's more than 500 creditor-banks made bids.

In spite of the lukewarm response Mexico's Finance Ministry said the transaction "constitutes an important first step in finding new mechanisms that will contribute to a fundamental solution to the debt problem."

Many of the largest creditor-banks made no bids in the auction but nevertheless are portraying the offer as a useful experiment.

A similar option, allowing banks to take bonds which excuse them from future new-loan commitments, is still widely expected to be included in a debt-package being negotiated with Brazil.

Mr William Rhodes, of Citibank, heads the bank committees which negotiate with Mexico and Brazil.

In New York he said the new bonds were an innovative exit vehicle. They would add to the menu of financing alternatives banks were negotiating with debtor-countries.

Yesterday bankers reported progress in talks with Brazil. The two sides have agreed that $62bn of Brazilian debt principal repayments, more than 90 per cent of its medium-term debt to banks, is to be rescheduled over 20 years from last year.

There will be no repayments for eight years. Repayments will then rise on a gradual scale from 2 per cent of the total in the ninth year to 10 per cent in the final year.

Banks' reconciliation with Brazil, which this week made a $520m interest payment to them, has shored up the traditional strategy of handling Latin America's debt problems through new loans, debt-reschedulings and economic reforms.

It has also bolstered opponents of all-encompassing solutions to the crisis.

Mr James Baker, US Treasury Secretary, yesterday rejected a plan presented by Mr James Robinson, chairman of American Express, the US financial group.

Mr Baker said: "It puts the solution squarely on the backs of the taxpayers in the creditor-countries."

He said of the Mexican offer: "I for one would not be so quick to condemn it as a failure."

The US had backed the offer by agreeing to make a special issue of securities to Mexico which would serve as collateral.

The scheme was also sponsored by J.P.Morgan, the New York bank, which yesterday said its own bids would result in it receiving $263m of bonds, more than 10 per cent of the total, for $400m of loans.

It would have to charge a loss against provisions for this quarter but said the move would allow tax-benefits realisation.

Background, Page 2

Willis tackles Ford plant row

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

MR NORMAN WILLIS, TUC general secretary, is planning to fly to Detroit, probably early next week, to discuss the threat that an inter-union dispute is posing to Ford Motor's plans to set up a £40m electronic components plant at Dundee.

The move comes amid increasing fears among TUC leaders and Scottish Development Agency officials that the US motor group may cancel the project.

Mr Willis is expected to meet executives of Ford's Electrical and Electronics Division, which plans to supply Ford's continental assembly plants with electronic engine control modules manufactured at Dundee.

TUC leaders have been told that the company will decide by the end of this month whether to go ahead with the project, announced last October, or relocate it in Spain or Austria.

A senior union official said the company, which has signed a single-union agreement for the plant with the AEU engineering workers' union, had told the TUC that pulling out of the project was a "live option".

AEU officials said they understood senior executives in the US had "put the project on hold".

Several unions which have bargaining rights at Ford's 22 UK plants, including the majority union, the Transport and General Workers Union, have strongly opposed the Dundee agreement, which excludes them from collective bargaining.

As a result, the company is understood to have become increasingly concerned that Ford unions may boycott components made at Dundee. Mr Willis is unlikely to be able to offer any guarantee that the TUC would be able to prevent such disruption.

The recent strike by Ford of Britain's 32,500 manual workers, which disrupted production at several of the company's continental plants, is also thought to have made Ford executives wary.

The plant, which would take two years to build, would employ 450 people when it reaches full production. That had been due in 1991-92.

Mr Willis will argue that the company should allow the unions to settle their differences while it is building the plant. But senior SDA officials said it was likely that the company would reject this and insist that it needed a single-union agreement.

A senior Scottish union official said: "The union movement must not be responsible for losing this inward investment. If the company insists on a single-union deal we will have to bite the bullet."

However, it is thought most of the other unions would reject compromise solutions which would allow them to recruit members without being recognised for bargaining. They argue that it was the SDA's financial package which attracted the investment rather than the union agreement.

Electricity board threatens boycott of British Coal

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE SCOTTISH mining industry was facing a crisis last night after the South of Scotland Electricity Board announced that it would be buying no more coal from British Coal after the end of this month unless it made a big reduction in its prices.

The electricity board said it had already placed contracts for 1m tonnes of foreign coal for delivery from the beginning of April and was negotiating for more supplies later in the year.

The electricity board's announcement came shortly after the Court of Session in Edinburgh granted British Coal an interim interdict, or injunction, preventing the board from purchasing or taking coal from any source but British Coal for its power stations at Longannet and Cockenzie on the Firth of Forth.

However, Mr Donald Miller, chairman of the electricity board, said that the interdict did not prevent it from importing foreign coal into Scotland or burning it at Kincardine, its other coal-burning plant. The lack of coal from British Coal would have no effect on power supplies, he said.

Last night Mr George Bolton, Scottish president of the National Union of Mineworkers, said he feared that British Coal's entire Scottish coalfield would shut down with the loss of 4,000 jobs if the Government did not intervene in the dispute.

Last year the electricity board took about 4.7m tonnes of coal from British Coal. A single pit complex supplies only the 2,400MW Longannet power station.

Mr Miller called on British Coal to "face up to the realities" and agree a price structure which would prepare the Scottish coal industry for a long-term future consisting of supplying coal to SSEB power stations for export to the market for power in England and Wales which will develop over the next few years.

He said that the electricity board was "very willing" to negotiate revised terms for supplies from April 1, provided British Coal offered "a phased reduction of price towards more competitive levels" bringing them into line with those to other customers.

However, the one-year contract that British Coal had offered the electricity board meant a reduction in price of only 1 per cent, while its 12-year offer would cut the board's costs by less than 1 per cent, taking into account the restrictions it included on the board buying coal from Scottish private sector mines.

Compared with alternative fuels, the additional cost to the Scottish electricity consumer would be £50m in a full year, or 5 per cent on tariffs. The electricity board had no mandate to incur additional costs of this sort on behalf of its customers, Mr Miller said.

British Coal said last night that it was considering the implications of the electricity board's actions. Its offer to the board remained on the table.

At the Court of Session, British Coal had argued earlier this week that it had long-term contracts with the electricity board to supply coal to the Cockenzie and Longannet power stations until 1992 and 1995 respectively.

Continued on Back Page
Shut pits or boost subsidies, say MPs, Page 4

Hoare Govett rebuked for shares count during bid

BY MICHAEL SMITH

HOARE GOVETT, the broker, was yesterday rebuked by the Takeover Panel for the second time in just more than a year. The panel said the firm had failed to provide an accurate system for counting shares in the bid battle between its client, the cement group Blue Circle, and Birmid Qualcast, the home products company.

Delivering the reprimand as part of its findings on the struggle, in which Blue Circle incorrectly claimed victory over Birmid, the panel said it had taken steps to ensure that the bid's counting errors were not repeated in any future contested takeover.

It has appointed a working party of bankers, Stock Exchange representatives and registrars to advise on amendments to the Takeover Code.

Meanwhile, receiving bankers – advisers to bidders on counts in takeover battles – are to be given a larger supervisory role and companies fighting takeovers will be required to provide their adversaries with more up-to-date information on shareholders.

The panel criticised Hoare for "failing to provide an adequate system to ensure complete accu-

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WEEKEND FT

FILM REVOLUTION

Nigel Andrews reports on how new cinema technology, video recorder mania and changing viewing patterns could herald a revolution in the world of film making

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Planning a personal pension

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Tracking gentle giants: the gorillas of Rwanda

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HOW TO SPEND IT

...on "un-designer chic"

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Building Societies

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SPORT

The rebirth of Boris Becker

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MARKETS

DOLLAR

New York lunchtime:
DM 1.6895
FFr 5.7185
SFr 1.3995
Y128.78

London:
DM 1.6895 (1.6965)
FFr 5.7175 (5.7375)
SFr 1.399 (1.4055)
Y128.75 (129.20)
Dollar index 94.5 (94.6)
Tokyo close Y129.22

US LUNCHTIME RATES

Fed Funds 6¾
3-month Treasury Bills: yield: 5.84%
Long Bond: 104⅜ yield: 8.46%

GOLD

New York: Comex April latest $436.6
London: $436.25 (428.0)

STERLING

New York lunchtime $1.775
London: $1.7740 (1.768)
DM 2.9975 (3.00)
FFr 10.1425 (10.125)
SFr 2.4825 (2.4875)
Y228.50 (same)
Sterling index 74.8 (same)

LONDON MONEY

3-month interbank: closing rate 9⅜%

NORTH SEA OIL

Brent 15-day March (Argus) $13.975 (14.025)

STOCK INDICES

FT Ord 1,478.7 (+15.1)
FT-A All Share 939.94 (+1.1%)
FT-SE 100 1,834.5 (+21.2)
FT-A long gilt yield index: High coupon: 9.24
New York lunchtime: DJ Ind Av 2045.92 (−17.57)
Tokyo: Nikkei 25,615.62 (+19.13)

Chief price changes yesterday: Back Page

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Austria Sch22; Bahrain Din0.650; Bermuda $1.50; Belgium BFr48; Canada C$1.00; Cyprus C£0.75; Denmark DKr9.00; Egypt E£2.25; Finland Fmk7.00; France FFr8.50; Germany DM2.20; Greece Dr100; Hong Kong HK$12; India Rup15; Indonesia Rp3,100; Israel NS3.50; Italy L1600; Japan Y600; Jordan Fils500; Kuwait Fils500; Lebanon $L125; Luxembourg LFr48; Malaysia Rin4.25; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Philippines Pes20; Portugal Esc100; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta125; Sri Lanka Rup30; Sweden SKr9.00; Switzerland SFr2.20; Taiwan NT$35; Thailand Bht50; Tunisia Din0.800; Turkey L500; UAE Dh6.50; USA $1.00.
SELLING PRICE IN IRELAND 60p

Gandhi frees Sikhs in step to end Punjab impasse

BY K.K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, India's Prime Minister, yesterday took a big step towards ending the political impasse in the insurgency-torn northwestern state of Punjab when he released four of the five high priests of Sikhdom and about 40 other senior Sikh leaders from jail, where they have been kept for more than two years. The fifth high priest is expected to be released soon.

The release fulfils some of the main demands of the moderate United Akali Party of the Sikhs, whose leaders have recently been coming close to echoing the demands of extremists seeking an independent Sikh homeland they call Khalistan. The move was immediately welcomed by leaders of the rival groups in the faction-ridden Akali Party.

The move came just after extremists massacred 34 Hindus in the town of Hoshiarpur while they were attending a religious festival. They shot indiscriminately at the worshippers with Chinese assault rifles and escaped. An alert has been sounded in Punjab and neighbouring states as well as the capital, New Delhi, and intensive patrolling is taking place to prevent a backlash.

The killings came after a brief lull in the spate of murders by extremists since the beginning of January. The death toll since January 1 is now said to have exceeded 200 and it is clear that efforts to check Sikh terrorism through direct rule from New Delhi, imposed last May, have not succeeded.

There have been no political initiatives since New Delhi took over the administration in Punjab last May, when the moderate government led by Mr Surjit Singh Barnala was dismissed, and Mr Gandhi has been criticised for trying to tackle the Punjab situation as though it were a straightforward law-and-order problem.

The release of the high priests and other prominent Sikh leaders is intended to lead to talks with leaders of the religious community, something which many mediators have suggested. There has been, however, no basis for any discussion since the Punjab peace accord signed between the Sikh moderates and the Prime Minister collapsed more than a year ago.

There is as yet no indication of how the talks are to be resumed but independent mediators are expected to make contacts with both the Sikh leaders and the Government to find some way out of the impasse. After years of bloodshed, the process is bound to take considerable time.

Growth of US jobs depresses bond prices

By Nancy Dunne in Washington

A REPORT of strong American employment growth in February, released yesterday by the US Labour Department, surprised economists and sent bond prices plunging.

According to the department, 530,000 jobs were created in February, more than double what had been expected. The civilian unemployment rate dropped from 5.8 per cent in January to 5.7 per cent, the lowest level since July 1979. It has fallen almost a full point in the past year.

The surge quickly knocked about 1½ points off bond prices as investors adjusted their economic sights. The resulting 0.15 point rise in long-term interest rates unsettled the stock market, leaving the Dow Jones Average down just over 20 points at 2,043 by early afternoon.

While the report confirmed recent indications of overall in the economy, it showed only modest growth, for the second straight month, in manufacturing jobs. Employment rose only marginally to 19.42m.

Two missing in Sidon

British Oxfam Mideast co-ordinator Peter Coleridge and the Syrian head of the aid agency in Lebanon were missing yesterday in Sidon, Lebanon, after visiting a relief centre at the Palestinian refugee camp of Ain Al Helweh.

British Embassy officials said they were still checking information that Mr Coleridge, 44 and Mr Omar Traboulsi, 31, were kidnapped.

Contra aid defeated

Prospects for an early renewal of US aid to Nicaraguan rebels are remote following the surprise defeat of a Democrat humanitarian aid package in the House of Representatives.

The House vote on Thursday night left the Contra rebels without any US support for the first time since 1984, when Congress cut off all aid.

Ershad poll victory

The Jatiya party of Bangladesh President Hussain Muhammad Ershad won a parliamentary majority yesterday in elections that unleashed widespread bloodshed and charges of fraud, AP reports from Dhaka.

Violence during Thursday's polling left at least five people dead, the Government said, while the chief opposition leader, Sheik Hasina, said 10 died.

With results in from 165 of the 281 contested parliamentary seats, Jatiya had won 147.

Hard line by Botha

The South African Government yesterday outlined what it said was a new tough policy of disregarding criticism from other countries.

Mr Pik Botha, Foreign Affairs Minister, was quoted by the government-run South African Broadcasting Corporation as saying the country was strong enough to withstand any measures the international community could implement. The world was "out to destroy South Africa and the sooner this clash came the better."

S Africa sales halted

Several big Japanese electronics groups, including Pioneer, NEC and Fujitsu, are to end sales to South Africa following a Japanese government request for companies to limit their activities there, AP reports from Tokyo.

Foreign Minister Mr Sosuke Uno last week asked members of the Federation of Economic Organisations (Keidanren), an influential business group, to practise "self-restraint" in trade with South Africa to avoid resentment from countries opposed to apartheid.

Pöhl welcomes US stand on dollar

BY ANDREW FISHER IN FRANKFURT

MR KARL OTTO PÖHL, president of West Germany's Bundesbank, said yesterday he welcomed the growing realisation in the US that a further drop in the dollar's value would be harmful.

Now that exchange rates had stabilised, he said, the markets seemed to have come to the view that the present dollar level was far more in line with fundamental economic data than two or three years ago.

"The contribution that exchange rate changes can make to the economic adjustment process has, in my view, largely been produced," he said in a speech in Hamburg. He agreed with a recent statement of Mr Paul Volcker, former chairman of the US Federal Reserve Board, that "a further dollar depreciation would serve only to feed an illusion that the US could deal with its trade imbalance by monetary manipulation."

Mr Pöhl said it was encouraging that such views were now accepted in the US, citing this week's statement by Mr James Baker, US Treasury Secretary, that a further fall in the dollar would be counter-productive. The dollar was quoted at just over DM1.69 in Frankfurt yesterday. At the end of 1987, it was below DM1.60.

"A rethinking has begun in America about exchange rate policy," he added. "There is an increasing recognition that a further decline in the dollar would not only put the world currency system and the world economy in great danger, but also go against the interests of the US."

Thus it was better understood in the US that a further dollar devaluation would have to be paid for by higher interest rates. Mr Pöhl said his hope for a stabilisation of exchange rates was based on the fact that the reduction of current account imbalances had made more progress in the last two years than most people realised. This applied to West Germany, as well as to the US and Japan.

Karl Otto Pöhl: "rethinking has begun in America"

In West Germany, he noted, imports grew faster in real terms last year than exports. The country's trade surplus fell in real terms from DM73bn in 1985 to around DM48bn last year. (In nominal terms, not adjusted for price changes, it rose from DM73bn to DM117bn).

Such a steep drop in real terms left its mark on economic growth, however. Germany, which obtains a third of its gross national product through exports, could not be asked at the same time both to reduce its trade surplus quickly and to speed up economic growth.

Moscow to expand gold trading activities through Singapore

BY DAVID DODWELL IN HONG KONG

THE SOVIET Union is poised to expand its international gold trading operations, with plans to develop its activities in Singapore, through a local branch of the Moscow Narodny Bank, and in other countries of south-east Asia, according to Mr Eugene Ulianov, head of the precious metals department of the Soviet Bank for Foreign Trade.

However, Mr Ulianov, who was addressing a two-day international conference in Hong Kong on gold, claimed that the Soviet Union aimed to be much less a forced seller of gold in the future: "The changes under way in the economic sphere in our country, as well as the policy directed to achieving grain self-sufficiency, enable us to assume that there will be more room for manoeuvre while deciding on what particular moment, and in what market conditions, we should sell gold."

He gave no further details about the scale of Soviet gold production and sales, and on Moscow's policy on gold trading.

He appeared untroubled by controversy surrounding what is an unprecedented arrival in Hong Kong by a Soviet official. In deference to Chinese sensitivity, Hong Kong has barred entry to all officials from Soviet bloc countries for over 30 years. The recent thaw in relations between Moscow and Peking seems to have given Hong Kong immigration officials greater scope.

Mr Ulianov had asked to stay in Hong Kong for a week, but was given visa clearance for just a three-day visit. He waited in Singapore for visa clearance, and there he was able to discuss with officials from the local branch of the Moscow Narodny Bank the prospects for gold trading in Asia. At present, Soviet gold marketing operations are mainly focused on Zurich.

Mr Ulianov baited those pressing for details of Soviet gold trading activities: "We don't want to make unemployment problems in Western countries any sharper, or deprive those many economists in gold firms who are working to try and estimate the scope of production and sales of gold by the Soviet Union," he said.

"We know the estimates and calculations are the bread and butter for these economists. But to make work more interesting, we act not only as pure sellers of gold, but as buyers using various methods."

Shultz presents peace proposals

BY ANDREW WHITLEY IN JERUSALEM

FORMAL Middle East peace proposals were presented by Mr George Shultz, US Secretary of State, to the Israeli Government in Jerusalem yesterday. He later departed to discuss them with the Syrian regime in Damascus and was then due to fly to Cairo.

King Hussein of Jordan received the same written document in London on Thursday, according to the state-run Israel Radio.

On the second stage of his mission, which began nine days ago, Mr Shultz is understood to have asked the Israeli and Arab leaders for replies within a fortnight.

The initial reaction of Mr Yitzhak Shamir, the Israeli Prime Minister, who is under strong pressure from his own right-wing Likud Party not to compromise, is said to be negative. He is expected to give a more definitive response when he visits Washington on March 15.

Shortly after Mr Shultz's return to Jerusalem after an absence of four days, a powerful car bomb was discovered a few hundred yards from his hotel. The device was safely defused.

The US Secretary is reported to have told correspondents travelling with him that neither Israel nor the Palestinians were being realistic enough.

"They should think in terms of what is possible, rather than the impossible," Mr Shultz remarked, apparently referring as much to Mr Shamir as to Mr Yasser Arafat, chairman of the Palestine Liberation Organisation.

Some details of the Shultz document, disclosed by senior Israeli officials, include proposals for an international meeting in Geneva in mid-April. This would be followed almost immediately by direct negotiations between Arab-Israeli parties to the dispute, on an interim agreement on Palestinian self-rule in the occupied territories.

The officials said the American plan aimed at the conclusion of talks between Israel and a joint Jordanian-Palestinian delegation to be completed by October, when elections would be held on the West Bank and in the Gaza Strip. The target for implementation of an accord on self-rule would be February 1989.

However, negotiations on a permanent settlement of the Arab-Israel conflict would begin next December regardless of progress on an interim agreement.

Two more Palestinians were killed in clashes with the army on the West Bank yesterday, raising the unofficial death toll in the present unrest to 83. One man died in the village of Arrabeh, near Jenin, and a teenager was killed during what Israel Radio described as a major disturbance in the small village of Al Khidr near Bethlehem.

Foreign correspondents were prevented from visiting the area, under new regulations giving the Israeli Army the discretion to close off districts to journalists.

Bush sees momentum building for key voting

By Stewart Fleming in Columbia, South Carolina

MR GEORGE BUSH, the US Vice President, is confident that if he wins the Republican South Carolina primary here today by a wide margin, it will give him the political momentum to carry him to victory in the 17 state primaries and caucuses next Tuesday.

Convincing victories in enough so-called Super-Tuesday contests would underpin his status as front-runner for the Republican Party's presidential nomination and give him a solid base of support among delegates to the Republican convention in August. Around one third of convention delegates will be selected next Tuesday.

Today's primary here is seen as the trigger to the Super-Tuesday contests, an election whose outcome will help to shape perceptions of the Republican candidates in the same way that the results of the early contests in Iowa and New Hampshire helped to influence later primaries and caucuses. The Democrats will not vote in South Carolina until later in the month.

Early speculation that an upset was looming in South Carolina and that former television evangelist Mr Pat Robertson was poised for a victory over Mr Bush in the first Republican primary in the Bible Belt have evaporated.

Mr Bush is now seen as the likely winner here with Mr Robertson and Sen Robert Dole expected to trail well behind him. Rep Jack Kemp, the last of the remaining Republican candidates is a distant fourth in the public opinion polls and some are predicting that he will be forced to drop out of the race if he fails to do better than this in the balloting.

Mr Robertson's campaign has been damaged by divisions in the ranks of the Christian fundamentalists who are the core of his electoral base and by charges that he has been making reckless allegations about the presence of Soviet missiles in Cuba. But whereas a week ago he was predicting victory in South Carolina over Mr Bush, now he is saying that a strong second place would be a good result for him.

Italy faces budget austerity

By John Wyles in Rome

THE BELIEF that Italy will face a special package of budget cuts and revenue increases later in the year has been reinforced by Mr Giuliano Amato, the Treasury Minister, who has produced a government deficit forecast for 1988 far worse than any previously offered.

In a statement to the Senate's budget committee, the Socialist minister also abandoned his original L103,500bn (£46.9bn) target for the deficit.

He said that on present trends the outcome could be L122,000bn but that a reduction to L112,000bn (around 11.2 per cent of gross domestic product) would be tolerable.

Mr Amato said that this higher deficit target would still be in line with a medium-term plan he is working on to bring current expenditure into line with revenues by 1992.

He forecast a current spending deficit this year of L44,000bn and interest charges on government debt at around L75,000bn-L78,000bn.

However, the minister made it clear that the present Government, which is expected to fall after parliamentary approval of the budget later this month, was not strong enough to carry through the measures needed to bring the deficit down to L111,000bn.

However, his presentation will leave the next government little option but to try.

Earlier this week, the Bank of Italy also came out in favour of correcting measures later in the year and there could be pressure from the markets if these do not emerge by mid-summer.

Part of the problem derives from the L13,500bn overshoot on last year's deficit target of L100,000bn.

This is having a multiplying effect on this year's spending which, allied to free-spending amendments passed by the parliament, is pushing the deficit up to record levels.

Mr Ozal (left) with Mr Papandreou pictured in Brussels

Greece and Turkey agree fresh conciliatory moves

BY WILLIAM DAWKINS IN BRUSSELS

GREECE and Turkey yesterday agreed fresh moves to improve their rapprochement after their landmark accord last month on patching up their historic differences.

Mr Turgut Ozal, the Turkish Prime Minister, and Mr Andreas Papandreou, his Greek opposite number, declared a moratorium on acts likely to create tension and agreed to launch a diplomatic and military joint body to monitor each other's aircraft and naval movements in disputed areas. This comes just a year after the two countries were near open conflict.

In a gesture of conciliation towards Ankara, Mr Papandreou lifted Greece's seven-year opposition to the revival of the 1963 Turkey-European Community association agreement. Greece had blocked the revival, needed because of Greece's entry to the EC in 1981, on human rights grounds.

Athens's change of heart gives a lift to Ankara's application, lodged last April, to join the EC. He recognised there was still a long way to go before Turkey become a Community member.

Yesterday's accords were the result of two days of private talks in Brussels after this week's Nato summit. "We have just started on the long road towards removing any feeling of threat on either side," said Mr Papandreou.

A beaming Mr Ozal said: "We are doing this because we saw the dangers last year when we came to the brink of war," referring to a dispute over oil rights

Mexico's debt swap offer brings mixed results

Everyone involved is accentuating the positive aspects of the outcome, reports Alexander Nicoll

IT WAS certainly not all that Mexico had hoped. Only 95 out of more than 500 creditor banks will be proud owners of bonds to be issued as a result of its innovative debt exchange offer.

The offer had been hailed as a breakthrough in the 5½-year-old debt crisis, allowing debtor countries to benefit from banks' own admissions that their loans were no longer worth their nominal value.

Mexico invited banks to tender loans at discounts to face value and to receive in exchange new bonds with a lower principal amount but intended to be more attractive. Mexico would reduce its debt and make interest savings.

On the face of it, the results are disappointing. Though Mexico was offering up to $10bn of bonds, only $2.56bn will in fact be issued. Instead of accepting bids valuing banks' loans at 50 to 60 per cent of face value as Mexico had clearly hoped to do, it took all those up to 74.99 per cent, very close to the 77 per cent level beyond which Mexico would have made no savings at all. The average accepted price of 69.77 per cent, representing a discount of just over 30 per cent to the face value of existing loans, was clearly higher than Mexico wanted.

Nevertheless, all sides are emphasising the positive aspects of what was very much an experiment. The Mexican Finance Ministry said the auction should be considered a success because creditors formally recognised for the first time that there was a difference between the book and market values of its debt.

J.P. Morgan, the New York bank which co-authored the transaction with Mexico, said the number of banks which put in bids – at 139, apparently higher than it had expected – and the results of the auction "convinces us that this was a useful effort".

And other bankers, whether or not they had submitted bids, portrayed the deal as a useful step forward resulting in what by normal market standards is a big bond issue. Though they are clearly concerned about the consequences for future Mexican attitudes if the offer was perceived in Mexico as being a sad failure, most feel lessons have been learned from which refinements can be developed to the benefit of both debtors and creditors.

The reasons why banks did not bid are quite straightforward. By tendering, many would be forced to accept larger losses than they are yet ready to take. British banks, for example, have probably taken loan loss provisions of about 20 per cent of their Mexican exposure, according to Bank of England guidelines. Any bid at a wider discount would mean new losses which might not be allowable for tax.

For US banks, any bid would mean making a specific provision for Mexican debt, instead of existing general provisions, and therefore deducting the amount from capital.

Though Mexico took as a guideline the 50 per cent secondary market price of its debt, most bankers believe the very thin trading in that market, mostly related to debt/equity and other swaps, means prices are not true indications of value. Even if they are prepared to forgive debt at all, virtually none are prepared to do so to such an extent.

Moreover, the new bonds themselves will almost certainly fail to trade in the market to the extent that they trade in the market. Tentative indications yesterday suggested a price of around 80 per cent, though bankers stressed that it was very early to judge where they would settle in the market.

The new bonds, though an "exit" vehicle – excusing holders from participation in any future new "forced" loans – still gave 20-year exposure to Mexico, since only principal and not interest would be collateralised by Mexican holdings of US government securities. Despite Mexico's 100 per cent record on interest payments, bankers feel a margin of 1⅝ points over money market rates does not reflect the risk.

Since the Mexican offer was first announced in December, banks have been encouraged to believe that traditional debt strategy has been revitalised by progress in negotiations with Brazil, where officials have acknowledged the costs to the country of its interest payments moratorium and have returned to an orthodox negotiating path.

So banks might have been less inclined to forgive Mexican debt than when the debt crisis seemed to be spiralling out of control last year.

Some bankers also believe that the operation – which raised many unfamiliar issues because of its very newness – had an over-complex structure.

Pakistanis consult on Afghan accord

By Robin Pauley, Asia Editor, in Geneva

MR ZAIN NOORANI, Pakistan's Deputy Foreign Minister, flew home to Islamabad yesterday for consultations on whether to sign an accord negotiated in Geneva on the withdrawal of Soviet troops from Afghanistan.

As he left, Mr Diego Cordovez, the UN mediator, confirmed that agreement between Pakistan and Afghanistan on the key issues concerning withdrawal is now virtually complete after nearly six years of negotiation.

The two main outstanding withdrawal issues – the duration and front-loading of the exit of 115,000 Soviet troops – were settled on Thursday. The withdrawal will last a maximum of nine months, once it has begun 60 days after the Geneva accord has been signed, and 50 per cent of Soviet troops will leave in the first three months.

Christopher Bobinski looks at proposals to tackle unrest

Reunite Armenians, says Medvedev

THE SOVIET authorities should implement policies for a radical improvement in the cultural rights of Armenians in the disputed Azerbaijani district of Nagorno-Karabakh, and set a fixed date within two or three years for the return of the area to Armenia, according to Mr Roy Medvedev, the independent historian, speaking in a recent interview in Moscow.

The shift of the area from one republic to another could be preceded by a referendum in Nagorno-Karabakh, Mr Medvedev suggests, adding that the problem in the area became acute last year when a petition containing nationalist demands was delivered to Moscow and rejected by the Government.

At the time, the authorities underestimated the problem, not realising it would become an issue for both Azerbaijan and Armenia, Mr Medvedev says.

"Now this is a major test for Mikhail Gorbachev; he can emerge from it either weaker or stronger, and it's too early to know the answer," the historian said, after days of demonstrations in Armenia as well as a riot in the Azerbaijani industrial city of Sumgait last Sunday which was reported to have claimed 31 lives.

Mr Medvedev, however, draws a distinction between Transcaucasia and the Baltic republics, which have also seen some unrest recently.

"The Baltic nations are in conflict with the Russians, and want to leave the Soviet Union, but in Transcaucasia the Russians are in a position to act as mediators between the Azerbaijanis and the Armenians," he says.

The Armenians are demanding a territorial transfer, "they don't want to leave the union," he says.

Mr Medvedev thus suggests that a "sensible" solution could be found. It would allow the Armenians in Nagorno-Karabakh more cultural rights, including television broadcasts from Yerevan, free sale of Armenian newspapers, the opening of Christian churches which have been closed (in contrast to Moslem mosques attended by Azerbaijanis) and a rail link with Yerevan.

Then a date for the transfer of the region to Armenia should be fixed in two or three years "after the passions have died down," he says.

Mr Medvedev agrees that there are many similar problems in the Soviet Union. In the Crimea, in Yalta and Sevastopol, the dominant Russians are unhappy about being a part of the Ukrainian republic and he points to previously unreported nationalist disturbances in the early 1980s in Sukhumi on the Black Sea coast as another example.

There the Abkhazians, a small separate nation numbering some 80,000, demanded to be transferred from Georgia to the Russian republic. The Brezhnev leadership failed to accept this but did allow them a newspaper in their language as well as a dominant presence in the local police and ensured the election of an Abkhaz as the party first secretary.

In a precursor of the Yerevan events of last week the Abkhaz people put forward a delegation of elders and not the Communist Party as their representatives.

In Yerevan the vast crowd of demonstrators elected a national committee composed of prominent local intellectuals and it was they who were finally received by Mr Gorbachev last weekend.

"This was an important development," Mr Medvedev notes. Mr Gorbachev saw the representatives of the Armenian nation and not Mr Karen Demirchyan, the Communist Party first secretary.

Also, the crowds in the square were more willing to heed the committee than the Party.

Mr Medvedev is ready to agree that in all probability Mr Gorbachev's critics in the establishment are blaming his policies for such developments.

"But Gorbachev doesn't hide the fact that he is no expert on the nationalities problem," Mr Medvedev says, noting that when the Crimean Tatar question came up recently it was left to Mr Andrei Gromyko, now the head of state, to deal with it.

Mr Medvedev also compares the way the Soviet authorities are failing to inform the country of developments and the issues at stake to the silence that enveloped the Chernobyl atomic disaster in 1986.

"Mr Gorbachev says we must talk about everything openly, we must not hide shortcomings, but we have no idea from the press as to what really happened in Yerevan," he says.

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African economic reform fights 'spirit of despair'

BY VICTOR MALLET IN KHARTOUM

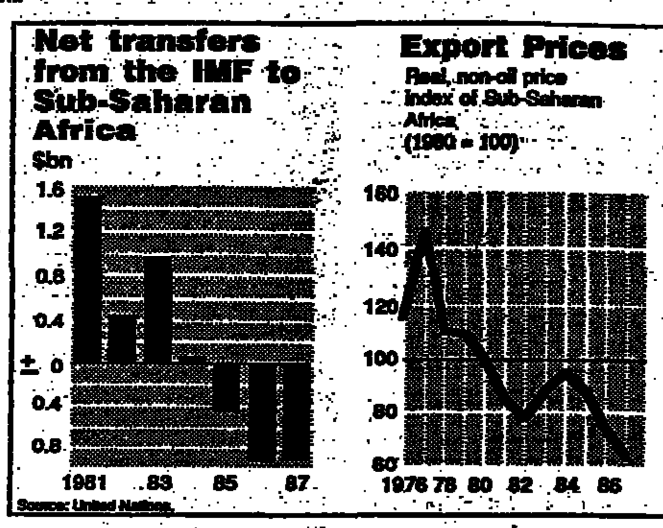
"ALMOST all of sub-Saharan Africa is now suffering from import strangulation. Machinery is breaking down for want of spare parts, development programmes are under threat. Social services, including health and educational facilities, are in disrepair. A spirit of despair pervades the continent."

These gloomy words are from Sir Douglas Wass, former Permanent Secretary of the UK Treasury, in a recent report to the UN on financing African economic recovery. They set the scene for the UN conference on Africa in Khartoum this weekend.

The meeting will address the question of whether Africa's ubiquitous structural adjustment programmes – inspired by Western economic theories and funded largely by the World Bank and the International Monetary Fund – alleviate or increase poverty and suffering.

Even the most severe critics of African economic policy accept that the continent has been extraordinarily unlucky. Just as African governments began to change their ways, their terms of trade deteriorated sharply as commodity prices fell.

African leaders and organisations such as the UN have watched despairingly as donors have wearied of helping Africa, as the continent most needs help. The report by Sir Douglas and 12 other financial experts said sub-Saharan Africa needed at least $5bn a year in extra resources to



overcome the effects of lower commodity prices, a decline in capital inflows and a huge debt burden.

For many Africans the IMF and its austerity measures have become synonymous with bread riots, cuts in social services and the evils of capitalism. To some extent this is a matter of political convenience – it is easier to blame outsiders for past incompetence. However, even the IMF has recognised the difficulties of trying to reform economies in a mere three years and is now providing easier finance over a longer period.

Zambia is a case in point. A combination of over-optimistic IMF forecasts of the copper price, a lack of government will-power and ability, unpayable IMF arrears and food riots after subsidies to consumers were lifted, has persuaded President Kenneth Kaunda to break away from the fund. Some donors believe he has merely delayed the day when Zambia has to make economic reforms.

Other countries – including Ghana, Somalia, Mozambique and Zaire – are going through similar agonies. This dilemma will provide one of the main themes of the Khartoum conference.

Neutral budget for Singapore

BY ROGER MATTHEWS IN SINGAPORE

THE THREAT of a possible slowdown in the growth of the Singaporean economy during the second half of this year led Dr Richard Hu, Finance Minister, to announce yesterday a neutral budget yesterday that retained virtually all the cost-cutting and fiscal incentives introduced in 1986.

The renewed buoyancy of the economy was underlined by an 8.8 per cent growth rate last year, with the final quarter showing an annualised rate of increase close to 11 per cent. All leading sectors, except construction, performed well. Manufacturing showed a 17 per cent increase.

Total non-oil exports had soared by 36 per cent and new investment commitments were up 21 per cent to the targeted figure of S$1.7bn (£477m). Unemployment had fallen from 4.6 per cent to 2.8 per cent during the year.

Dr Hu said that this performance emphasised that Singapore was again fully competitive with the other newly industrialising countries of Asia. He warned, however, that temporary concessions would have to be adjusted, but only when the economic situation warranted.

So the minister proposed no changes to corporate or personal taxes. However, in response to the growing demand for foreign labour, Dr Hu announced an increase in the employers' levy from S$140 to S$170 a month, except for those in the construction industry or employing domestic servants.

Although the tax cuts announced in 1986 had reduced government revenue, careful spending policies had avoided a budget deficit, the minister said.

To assist the development of the capital market, he announced the abolition of stamp duty for transactions in non-Singaporean stocks or shares in line with other financial centres.

The only section of the community to suffer was that of smokers. Import duty on cigarettes will be set at S$75 a kilo, a rise of S$5, and excise duty will go up by S$2 to S$36.

Japanese surplus falls

THE downward trend in Japan's current account surplus is likely to continue over the next two years, economists said yesterday, Reuter writes from Tokyo.

Japan's current account came to a $3.515bn surplus in January, down from $4.84bn in the same month in 1987, according to a government announcement yesterday. In December, the surplus was $9.44bn.

"A rapidly growing deficit in trade of services is helping drive the current account surplus down," said Mr Soichiro Akahane, economist for the Bank of Tokyo.

Japan's balance in travel services is the big reason, Mr Akahane said. "More and more Japanese are going abroad because the strong yen allows them to travel for less money." Last year Japan's trade in travel services was in deficit by $8.7bn, compared with a $5.8bn shortfall in 1985, he said. "Imports of goods are now increasing rapidly and Japanese are paying more fees to foreign shipping companies."

Imports in January surged 38.8 per cent to $12.42bn, while exports grew 16.1 per cent to $17bn. That put the trade surplus in January at $4.58bn. The trade surplus had been $5.70bn in January a year earlier and $10.06bn in December 1987.

Car imports rise by 39.4%

FOREIGN car sales in Japan rose 39.4 per cent from a year earlier to 8,212 in February, marking the 50th straight monthly year-on-year rise, an official of the Japan Automobile Importers Association said, Reuter writes from Tokyo.

The February figure compare with 5,957 in January when sales rose 42.9 per cent from a year earlier.

Sales of cars equipped with engines larger than 2,000cc rose 36.2 per cent from a year earlier to 3,339, helped by a shift in consumer demand to luxury cars, while sales of imports with engines smaller than 2,000cc rose 41.7 per cent to 4,873, the official said.

Kevin Brown looks at the year since the disaster off Zeebrugge

Anniversary of ferry tragedy unites bitter opponents in grief for dead

IN THE Indian Ocean a rusty, orange-and-white passenger-ship called Flushing Range is being towed slowly to its resting-place in a Taiwan breakers' yard.

The ship last sailed under its own power a year ago tomorrow on a short crossing from Zeebrugge to Dover. The name on the side then was Herald of Free Enterprise. For 193 passengers and crew it was the last voyage of their lives.

On the disaster's anniversary, it still seems incredible and bizarre that the ship sailed with its bow-doors open, in spite of the findings of the public inquiry, chaired by Mr Justice Sheen, which blamed master, chief officer and assistant bosun.

The judge said the underlying faults lay with the management of Townsend Car Ferries, which owned the ship, but concluded, to the astonishment of many, that no laws were broken.

Peninsular and Oriental Steam Navigation, which acquired Townsend just before the accident, quickly replaced the company's entire management and rushed through a comprehensive shake-up of operating procedures.

However, after a coroner's jury returned verdicts of unlawful killing on most of the dead, the Director of Public Prosecutions asked Kent Police to investigate whether Townsend and its managers could be held responsible.

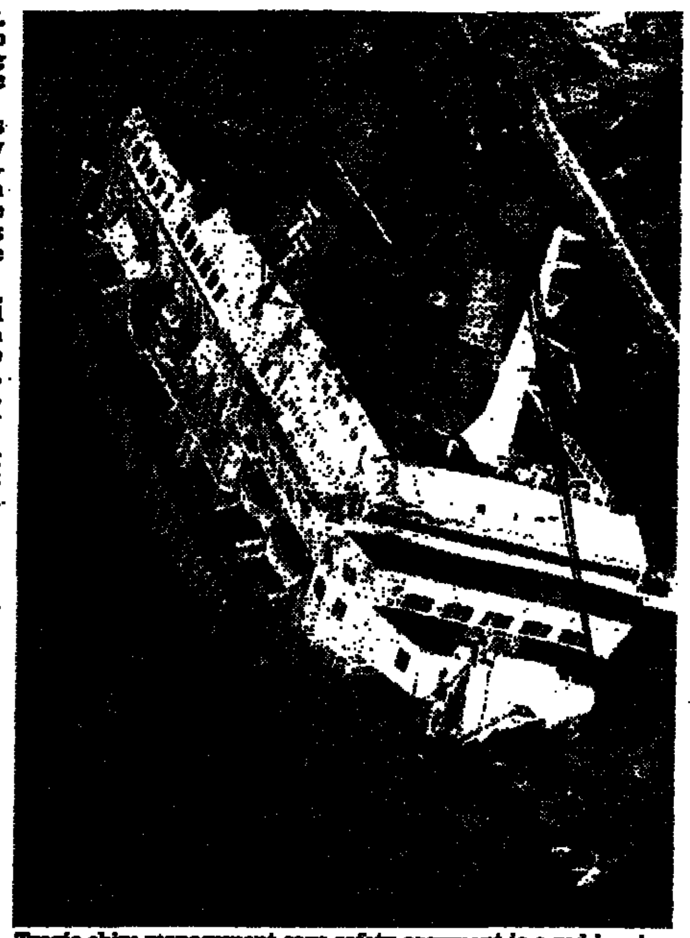
The results of the police inquiry have yet to be disclosed, as has the report of Judge Arthur d'Hoest, the official investigating possible breaches of Belgian law.

It is unclear whether any charges will be brought but some court action is likely: the Herald Families Association, advised by Sir David Napley the solicitor, has said a private prosecution will be brought if the DPP fails to act.

Meanwhile, the attention of many of the survivors and relatives of the dead has focused on compensation offered by P & O.

About 200 claims relating to passengers have been settled on the basis of a framework offering between £5,000 and more than £100,000. About a third of claimants is thought to be seeking higher settlements.

Payments of between £20,000 and £150,000 have been made under a separate arrangement with 22 seamen's families. Maritime trade unions are still negotiating on behalf of a further 16 officers and crew who died, and of 35 survivors.



Tragic ship: management says safety argument is a red herring in current manning level row

Lawyers say the relatively generous compensation framework negotiated with P & O exposes the inadequacy of existing law under which some relatives failed to qualify for any payments.

"There is no doubt that bereaved relatives, especially those caught up in the aftermath of large-scale disasters, feel strongly that this aspect of the law on compensation is insulting," said Mr Michael Napier, chairman of the Herald lawyers' steering committee.

He said Parliament should consider legislating for US-style punitive damages and for recognition of the stress experienced by otherwise-unharmed survivors who at present are not entitled to compensation.

The accident has also thrown a spotlight on British disaster planning, which some critics say is fragmented and incapable of coping with an incident on the Herald's scale.

Of more fundamental importance, however, are claims by some naval architects, such as Professor Dick Bishop, vice-president of the Royal Society, that roll-on, roll-off ferries like the Herald are inherently unsafe.

Ministers, ferry owners and most naval architects say the ships are perfectly safe as long as crew remember to close seadoors. However, conclusive evidence will have to await the results of a government research programme costing £1m.

Meanwhile, there has been much legislation and guidance to operators designed to plug legal holes which allowed the Herald's crew to forget to shut the doors without breaking the law.

Safety measures on the list include door warning-lights on the bridge; television monitoring; statutory procedures for entering and leaving harbour; supplementary emergency lighting; and airline-style boarding-cards to avoid confusion over the number and identity of passengers.

Ferry owners have questioned the scope of some requirements, such as the need for loading-and-stability computers on small coastal ferries like those serving Scottish islands.

There are also practical problems. The Sheen report drew attention to the need for operators to know the weight of lorries on board but there are not enough weighbridges in ports to tell them.

The legislative jigsaw will be complete early next month when the Merchant Shipping Bill is expected to become law.

This will require companies to appoint a designated manager to share with the master responsibility for safe operation. Both will face up to two years in prison, or unlimited fines, for breaches of the law.

Ferry owners say the costs of complying with the revised rules will be relatively small. However, they could face a bill of about £7m to £8m if the Government decides that ships built before stability standards were revised in 1980 must be modified.

Sadly, Dover's maritime community is bitterly divided by a strike of P & O seamen against proposed cuts in the number of crews employed to man each ship.

Maritime unions, backed by Labour MPs, have linked the dispute to the Herald by claiming P & O's proposals would make overworked crews vulnerable to another tragedy.

The company, which says the cuts are necessary if it is to compete with the proposed Channel Tunnel, says its proposals would not affect crew sizes. It says there is no evidence that manning levels were a factor at Zeebrugge.

P & O has postponed a threat to dismiss the strikers but claims the safety argument is a red herring. Both sides will be united in grief for the dead tomorrow but the goodwill engendered by the anniversary seems unlikely to last for long.

Thatcher repulses Labour jibes over Nato

BY IVOR OWEN

MRS MARGARET THATCHER, the Prime Minister, gave a display of withering political fire-power yesterday in the Commons, where she scornfully repulsed Labour attempts to ridicule her claim of having assured Nato a modernised nuclear armoury.

Mr Neil Kinnock, the Labour leader, who contended she had failed to "get what she wanted" at the Brussels Nato summit, was the prime target of Mrs Thatcher's ripostes delivered at high speed in shoot-from-the-hip style.

At one point she accused Mr Kinnock and his supporters of having, "no memory, no stomach, no spine and no guts".

This charge, rounding off the Prime Minister's assertion that under Mr Kinnock's leadership Labour had forgotten the lessons of the past and adopted the unilateralist policy of the Campaign for Nuclear Disarmament, clearly infuriated him.

The Labour leader had argued that the ambiguity of the summit communique on modernisation, which the Prime Minister had intended as a guise for a multiplication of nuclear weapons, amounted to "semantic anarchy".

To cheers from the Labour benches, Mr Kinnock maintained that the pressures Mrs Thatcher wanted to exert under the pretext of modernisation would have placed new impediments in the way of changes Mr Gorbachev was trying to achieve in the Soviet Union.

Mrs Thatcher, subjected to persistent barracking by some Labour MPs as soon as she began her statement on the Nato summit, emphasised that Mr Kinnock and his colleagues were "totally out of step" with Mr Francois Mitterrand, the Socialist President of France, and the rest of Europe's left-wing.

Encouraged by government cheers, the Prime Minister insisted that she had got "precisely" what she wanted at the summit. She said everyone had accepted that Nato's nuclear forces needed modernisation.

Mrs Thatcher dismissed Mr Kinnock's views as "claptrap" and emphasised that the communique had been negotiated in English and "so it is the English which is the clear version." She went out of her way to praise "our French friends" and was optimistic about agreements for British forces to use French ports in future Nato exercises.

Mrs Thatcher also strongly underlined the differences between the newly-launched Social and Liberal Deomcratic Party and their former partners who were trying to preserve the SDP as a separate entity.

Replying to Mr Paddy Ashdown, MP for Yeovil and spokesman of the new party who said "wiser heads" in Nato had forced the Prime Minister away from unilaterally seeking to increase the number of nuclear weapons, she argued that neither he nor the new grouping was in favour of Britain having strong defences based on a deterrent, because they had no policy at all.

Dr David Owen, leader of the continuing SDP, emphasised that his party supported a British nuclear deterrent and urged as a confidence-building measure, consideration of creating a European corridor free from short-range nuclear weapons.

Mrs Thatcher noted that Dr Owen's consistent support had – when he was in alliance with the Liberals – stopped short of agreement to replacing the Polaris submarine forces with Trident. The effect; she said, would have been to render Britain's deterrent obsolete.

Mr Eric Heffer, Labour MP for Liverpool Walton, highlighted Mrs Thatcher's dominance by expressing delight that she had not got her "own entire way" at the Nato summit.

Kinnock: infuriated. Ashdown: "wiser heads." Thatcher: scornful

Enterprise Oil outlook brightened by a flare

By Steven Butler

THE SIGHT of a big yellow flare atop the Dundee Kingsnorth, a semi-submersible drilling rig in the North Sea, yesterday sent the share price of Enterprise Oil rocketing skyward.

Enterprise, the independent exploration and production company, is operating the rig on block 22/11 of the North Sea, about 10 miles south-east of the giant Forties field, from where the flare could be clearly seen.

It offers the first evidence that Enterprise has found oil beneath the seabed. Yet a flare above a drilling derrick, which oil companies have been known to light just to keep everybody guessing, will not quell the enormous speculation that has surrounded this particular drilling project.

In early December, Enterprise surprised the oil community with the announcement that it had amassed a 100 per cent interest in the exploration acreage through a package of asset swaps, and taken on a risk few independents would dare.

"We're not yet in a position to make a sensible statement," complained an Enterprise official, anxiously awaiting definitive test results from the well.

Enterprise has been slightly embarrassed by all the attention. Enthusiastic speculation had suggested it was likely to find as many as several hundred million barrels of oil, without any solid evidence.

The company has grown worried that a failure to come up with a big find could send its share price plummeting as fast as it went up yesterday, though the company is big enough to withstand a few dry holes, which are the normal result of test drilling.

This week, the final phase of testing the second of the wells drilled at the site began. The well would be opened up and the flowing oil burned off – creating a flare. The flare in this case was not a ruse.

The rate at which the oil flows is used to estimate the size of the reservoir and to assess the attractiveness of further appraisal drilling.

However, before the company could complete the flow test, the winds whipped up the North Sea. With huge waves heaving the Dundee Kingsnorth up and down, Enterprise had to pull its gear out of the hole and wait for better weather.

Core samples from the wells had shown the presence of hydrocarbons, but were ambiguous about how deep, and therefore how large the reservoir of oil was. Electronic probes proved more encouraging, but it will be the flow test that provides a definitive answer.

Enterprise plans to go ahead as soon as the heavy seas subside. It will break with usual procedure and announce flow test results from one hole before it conducts the same test on the second hole. That could mean an announcement next week . . . weather permitting.

Enterprise Oil shares closed up 18p at 318p.

Crash has 'no effect' on price of houses

BY RICHARD WATERS

HOUSE PRICES rose sharply last month, providing extra evidence that the stock market crash has had little effect on demand. The rise also casts doubt on predictions that house price inflation would decrease this year.

The indication of the size of the increase in prices comes from the Halifax, Britain's largest building society. Its monthly index shows that in the year to the end of February, prices across the country rose by 16.9 per cent compared with 15.8 per cent at the end of last year.

This means that the average house at £50,300 has passed the £50,000 barrier for the first time.

Although an increase is usual at this time of year, its scale is "particularly marked." In the last three months, for instance, prices have increased by 3.5 per cent, significantly more than the 2.7 per cent of the same period last year.

The Halifax has predicted price increases of about 15 per cent for this year. This compares with the more pessimistic 10 per cent to 12 per cent expected by other societies. The Henley Centre recently said that London prices could fall to as little as 6.7 per cent.

An increase in price inflation is reported in most areas of the country. East Anglia experienced the most dramatic growth with the price of houses going up 40 per cent on average.

In the Midlands, prices are said to be rising faster than the 14 per cent 15 per cent reported at the start of the year, while all northern districts have seen "some slight strengthening." But the rate of growth in the north is still well below the national average.

The fact that many would-be first-time buyers cannot afford to get onto the housing ladder has kept down prices for those who can.

The average first-time buyer is paying 15.3 per cent more than a year ago compared with the 16.9 per cent more paid by other buyers. This represents an average price for first-time buyers of £38,400.

● Housebuilding starts rose in January, the Environment Department said yesterday. It estimated provisionally that 17,100 homes were started in Britain compared with 12,900 in January 1987.

Completions totalled 16,500 compared with 14,300 in January last year. In the three months to the end of January, total starts were up 15 per cent.

Prime Minister replies to critics of NHS funding

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER yesterday counter-attacked strongly over recent criticisms of the Government's health service record by the cross-party Commons Social Services Committee, which have been taken up by the Labour leadership.

In a report last Tuesday, the committee, on which Conservative MPs have a majority, called for the injection of new resources into the NHS and the full funding by the Treasury of next month's pay award to nurses.

In a letter yesterday to Mr Neil Kinnock, the Labour leader, Mrs Thatcher dismissed a number of the committee's recommendations about the extent of the under-funding problem and seeking a commitment to funding this year's pay awards.

She argued that there is already provision in existing plans for a growth of over 2 per cent next year in the resources for health authorities sought by the committee.

Mrs Thatcher backed Mr John Moore, the Social Services Secretary, who has dismissed the committee's call for an additional £1bn to be made available over the next two years.

She said: "It is not derived from any of the committee's own analysis or that of witnesses: nor is there any analysis in the report to underpin the committee's suggestions as to the use to which such a sum might be put."

Young Tory chairman elected

By Our Political Editor

A MAINSTREAM candidate last night won the chairmanship of the National Young Conservatives, to the relief of the party leadership, but amid mutual recrimination and allegations by both sides of irregular electoral practices.

The election has been a bitter fight between the mainstream existing leadership of the Young Conservatives and a free market rightwing group, some of whom were previously involved in the now disbanded Federation of Conservative Students and who criticise the Government over foreign policy, the extent of privatisation and the Anglo-Irish agreement.

The main significance of these arguments is that they provide public embarrassment for the normally cohesive and loyalist Conservative Party, opening the way for allegations of extremism.

The Young Conservatives, though in decline numerically for several years, still provide an important influx of local activists and future MPs for the party.

Mr Martin Woodroofe, the mainstream candidate, beat Mr Andrew Tinney, who describes himself as the Thatcherite candidate, by 62 votes out of 472 cast on 96 per cent turnout.

Last night, there were immediately charges and counter-charges, with Mr Woodroofe claiming that Mr Tinney's backers had indulged in high pressure campaign tactics including free drink receptions and extensive use of direct mailing. He said there needed to be a review of the constitution of the Young Conservatives to clarify who can vote and limiting expenses in elections.

By contrast, Mr Tinney alleged that malpractices in the conduct of the ballot invalidated the result. He said that as Conservatives, "we cannot condemn misconduct in trade union elections on one hand and tolerate just such practices in the party itself."

Action on growing trade account deficit urged

BY IVOR OWEN

MR AUSTIN MITCHELL, a Labour spokesman, urged the Government to take practical steps to deal with the UK trading account's growing deficit, in the Commons yesterday.

He joined Mr Paddy Ashdown, Social and Liberal Democrat MP for Yeovil, to complain.

They said the Trade and Industry Department had devoted more effort to the public relations campaign promoting its recent so-called enterprise initiative than to the economy's real problems.

Mr Mitchell criticised the spending of £6m on the advertising campaign supporting the enterprise initiative. He called the white paper announcing it half-baked and inadequate.

He said, scoffing at the performance of Lord Young, Trade and Industry Secretary, that the minister's only response to the basic problems stemming from Britain having become a net importer of manufactured goods was to advertise.

Mr Ashdown said a fifth of Britain's industrial base had been destroyed since the Tories returned to power in 1979.

He called for an industrial strategy which, while avoiding the indicative planning tried by past Labour governments, showed the way to the future.

He said action was needed to stimulate long-term investment and to reverse regional imbalance, particularly south-east England's growing dominance.

Mr John Butcher, Under Secretary for Trade and Industry, said government policies had revitalised the economy from the position inherited in 1979 when, in soccer terms, the danger of relegation loomed.

He said a midtable position had now been reached "and we now have to decide whether to go for the championship."

Mr Hugh Dykes, Tory MP for Harrow East, criticised government proposals for privatising the electricity-supply industry.

He said: "To tamper with an enormously successful and carefully built up entity, namely the Central Electricity Generating Board, so lightly is silly."

Best's move to appeal on shares conviction refused

FINANCIAL TIMES REPORTER

MR KEITH BEST, the former Conservative MP, was yesterday refused leave to appeal against his conviction of dishonestly making multiple applications for British Telecom shares.

Lord Lane, the Lord Chief Justice, said in the Court of Appeal that the Southwark Crown Court jury which last September found Mr Best guilty of attempted deception by a 10-2 majority had "not surprisingly" come to the conclusion that he had acted dishonestly. Any other conclusion would have been perverse, Lord Lane said.

Shortly after Mr Best's conviction, the Court of Appeal set aside his four-month jail sentence, but increased his £3,000 fine to £4,500.

Mr Robin Simpson, QC, for Mr Best, argued that he had been "incredibly stupid" but not dishonest when he made six applications for a total of 39,000 BT shares in his own name and variations of it, using different addresses and bank accounts.

Lord Lane said that Mr Best's actions had quite clearly been an attempt to deceive.

Although it was not stated on the forms that only one application could be made, there were statements in both the mini prospectus and the prospectus.

Court ready to postpone Raper contempt decision

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge yesterday offered to postpone his decision on whether Mr Jim Raper, the financier, is guilty of contempt of court if Mr Raper pays £1.33m into court by next Tuesday.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, or senior judge of the High Court Chancery Division, said that if Mr Raper paid the money, a ruling in the contempt case would be postponed until the end of Isle of Man court proceedings involving companies in Mr Raper's Gasco group.

The judge stressed that Mr Raper would not be "buying himself off the contempt," but only postponing the matter.

The High Court has been asked by the liquidators of Savings & Investment Bank, an Isle of Man bank, to jail and seize the assets of both Mr Raper and his business associate, Mr Douglas Allen, for their alleged contempt of court.

The two men are alleged to have aided and abetted the transfer abroad of £2.6m of the assets of Saint Piran, a company associated with Mr Raper, and its subsidiaries.

The transfer breached Saint Piran's undertaking to the High Court in 1984 not to reduce its own and its subsidiaries' UK assets below £7m.

The undertaking was given in an action in which SIB claimed repayment of a £4.4m loan made to a number of Gasco companies in 1981.

That claim, now amounting with interest to about £10m, is being made in Isle of Man proceedings in which Gasco is claiming around £12m damages from SIB, alleging that the loan was called in prematurely.

Neither Mr Raper nor Mr Allen has been in court for the contempt hearing and the judge has been told that their lawyers do not know where they are.

On Wednesday, after being told by the liquidators' lawyers that Mr Raper was in England, the judge issued a warrant for his arrest. Mr Raper has not, however, been found.

Sir Nicolas said yesterday that Mr Allen was clearly "very much the underdog" and "a very minor fish" compared with Mr Raper.

The judge, who had been told by Mr David Ashton, counsel for the liquidators, that about £1.33m of the £2.6m had still to be recovered, said that the court was concerned to ensure that, if SIB succeeded in the Isle of Man litigation, there would be money against which it could enforce its judgment.

That would be produced if Mr Raper repatriated the £1.33m.

"To ensure that justice is done to SIB I would be prepared to stand over the final hearing of these contempt proceedings if – but only if – £1.33m were remitted to this court in this country so as to secure SIB's rights."

If Mr Raper wished to take that up, "he has to produce the cash in this country."

The hearing continues on Monday.

Red Rose Radio board supports Oyston offer

BY RAYMOND SNODDY

THE BATTLE for control of Red Rose Radio, the profitable Lancashire commercial radio group, has entered the final round.

Last week Mr Owen Oyston, the millionaire and former chairman, issued an offer document for all the shares at 135p, but advised shareholders not to accept because he had enough promises of support to give him control of the company.

The Red Rose board has issued its response, advising shareholders to accept the offer because it is such a good deal, even though it puts the final nail in their coffin.

The existing board, advised by N.M. Rothschild & Sons, the merchant bank, said the cash offer represents 30 times earnings per share of 4.5p and is high in relation to Red Rose profits and assets and the value of other quoted commercial radio stations.

With three exceptions, board members are accepting offers for shares totalling 27.5 per cent.

They include, it is believed, Mr David Maker, managing director.

Sir Frank Pearson, Red Rose president, in a letter to shareholders, recommended that they accept the offer "without hesitation" and said he intends to resign from the company.

The offer closes on March 15.

Shut pits or boost coal subsidies, say MPs

BY MAX WILKINSON, RESOURCES EDITOR

THE GOVERNMENT must make a choice between more subsidies to the coal industry or pit closures when electricity is privatised, an all-party committee of MPs said yesterday.

In a report on coal industry subsidies, the Commons energy committee warns that coal will face a new competitive climate when electricity moves into private ownership.

"This climate may lead to more closures in the period up to 1992 unless productivity from existing pits improves with sufficient rapidity to allow British Coal to sell to privatised electricity generators at more competitive prices," the committee says.

On the other hand, if British Coal kept existing capacity in that period, it would be unlikely to be able to meet its financial targets without further closures, the committee says.

It adds: "The committee, parliament and British Coal are surely entitled to request that the Government disclose its strategy for the industry. After all, the Government has laid down a clear strategy for the non-fossil component of electricity supply." The report followed a brief inquiry into the Government's Supplementary Estimate for £162.3m of additional grants to the coal industry for 1987-88.

It criticises the failure of British Coal and the Department of Energy to be more accurate in predicting British Coal's cash needs in advance. The January Public Expenditure White Paper estimated that British Coal's loss before deficit grant would be £195m in 1987-88. However in February it increased the figure to "significantly more than £200m".

The total deficit grant for the year is £414m. This is higher than the estimated loss because of the Treasury's practice of paying money on an accruals basis to meet cash-flow needs.

Spring Supplementary Estimate: assistance to the coal industry. Report by the Energy Committee. HMSO. £4.70.

Car sales in February rise to record level

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

CAR SALES in the UK reached a record level last month with a rise of 7.42 per cent.

The share of UK-produced cars fell sharply, however, because Ford, the UK market leader, was forced to increase imports from its continental plants in order to make up for production which was lost in the UK through industrial action.

New car sales in February totalled 181,172, compared with 168,658 in February last year, according to figures released by the Society of Motor Manufacturers and Traders.

With the exception of December, monthly new car registrations have been at a record level, every month since August.

For the first two months of the year, new car registrations were 10 per cent higher than a year earlier at 375,654, following a record year for UK sales in 1987, when registrations exceeded 2m units for the first time.

The share of imports rose to 53.67 per cent in February from 49.06 per cent a year ago, reflecting Ford's moves to bring in more cars from its plants in Belgium and West Germany to make up for production lost in the UK through industrial action.

Ford's sales figures have not yet reflected the full impact of the two-week strike. Output of about 40,000 vehicles was lost before the strike through unofficial action, as well as a further 30,000 vehicles during the two-week stoppage.

In February, its market share was marginally lower at 26.55 per cent, compared with 27 per cent a year earlier.

Registrations of UK-produced Fords dropped by 15.2 per cent in February to 27,507, while sales of imported Fords rose by 57 per cent to 20,590, from 13,088.

The other big gains in the UK new car market in February were made by Nissan and Citroen.

However, the Rover Group, which is currently the object of takeover negotiations by British Aerospace, experienced a further loss of market share in spite of a small increase in volume.

UK CAR REGISTRATIONS

	February 1988	%	February 1987	%	Year to date 1988	%	Year to date 1987	%
Total market	181,172	100.00	168,658	100.00	375,654	100.00	341,351	100.00
UK produced	83,937	46.33	85,912	50.94	172,481	45.91	174,261	51.05
Imports	97,235	53.67	82,746	49.06	203,173	54.09	167,090	48.95
Ford	48,097	26.55	45,532	27.00	101,154	26.93	92,938	27.23
Rover group	29,316	16.18	28,911	17.14	57,879	15.41	58,652	17.18
Vauxhall/Opel	27,261	15.05	26,978	16.00	59,174	15.75	55,880	16.14
Peugeot/Citroen	12,569	6.94	10,713	6.35	28,552	7.6	22,875	6.7
Audi/VW/Seat	9,873	5.45	9,408	5.58	21,086	5.61	21,834	6.4
Nissan	9,216	5.09	6,626	3.93	17,379	4.63	10,419	3.05
Renault	9,514	5.25	9,461	5.61	16,937	4.51	16,012	4.69
Volvo	6,317	3.49	5,729	3.40	13,380	3.56	12,536	3.67
Fiat/Alfa/Lancia	7,123	3.93	6,503	3.86	13,309	3.60	12,138	3.55

Source: Society of Motor Manufacturers and Traders

Steven Butler looks at taxation of unleaded petrol in a Budget series

Chancellor urged to take lead on fuel of the future

NIGEL LAWSON, Chancellor of the Exchequer, can be grateful that he has at least one easy choice on his tax agenda for this year's Budget message – the introduction of a wider excise tax differential that would make unleaded petrol less expensive at the pump.

It ought to be easy because the measure is supported across the spectrum, from environmental groups to the oil industry. Even government revenues need not be affected significantly if the adjustment is set properly.

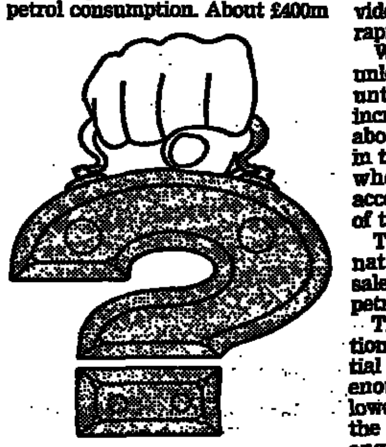
Environmental groups want to eliminate the biggest source of poisonous atmospheric lead. Some 2,000 tons of lead enters the atmosphere annually from car emissions in the UK, although this figure is about a quarter of the level a decade ago, before government regulations reduced the use of lead additives.

Lead compounds improve engine performance by reducing engine knock and allowing for higher compression ratios, thus yielding greater power and efficiency.

In spite of these benefits, the oil industry has accepted the inevitability of the transition to unleaded fuels, and is seeking the most economic means to accomplish this. The motor industry also appears to have dropped opposition to the move.

Mr Ian Berwick, director general of the Petroleum Industry Association, says: "The decision has been made. It is the fuel of the future."

The oil industry appears ready for a rapid increase in unleaded petrol consumption. About £400m



has been spent in Britain to take lead out of petrol – first reducing the lead content and then removing it altogether. The money has been spent upgrading refineries to produce a high quality petrol needed to compensate for the absence of lead.

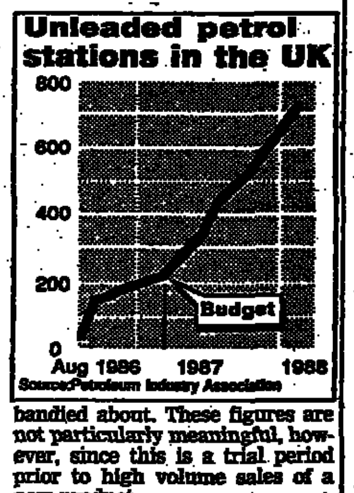
About another 48 petrol stations each month are offering unleaded petrol in dedicated pumps, making a total of 715 unleaded petrol stations by mid-February.

The trouble is that buyers of the stuff are nearly as scarce as horse-drawn wagons. Unleaded petrol is being trucked all round the country, put in underground storage tanks, and is dribbled out just three or four times a day at most stations where unleaded is on offer.

Pumps that had accounted for about a quarter of the throughput of a station are sitting virtually idle, with a consequent increased congestion at the other pumps.

Mr Berwick says: "Once it leaves the terminal, you've really got a dead product on your hands."

It is hard to calculate the cost of all these idle resources to the oil companies, although figures of one and more pounds lost per gallon of unleaded petrol sold are



bandied about. These figures are not particularly meaningful, however, since this is a trial period prior to high volume sales of a new product.

This year the Petroleum Industry Association on behalf of the industry is asking the Government to speed the transition to unleaded fuel by lowering the excise tax, which could be compensated for by a commensurate rise in the tax on unleaded petrol.

Last year, Mr Lawson took a first step when he introduced a 5p-a-gallon cut in the tax on unleaded petrol. The result at the pumps was to lower the price of unleaded to a point equal to or about 1p below leaded premium. But that has not been enough to encourage more than token sales of the product.

The PIA believes a much larger differential, which, as in West Germany, could gradually come down, would be needed to provide an incentive to encourage rapid adoption of the new fuel.

West German consumption of unleaded did not grow quickly until the tax differential was increased from the equivalent of about 7p to 12.2p. The differential in the first half of 1987 was 10.5p, when unleaded petrol sales accounted for about 22 per cent of the market.

The differential will be eliminated in 1990, when unleaded sales could account for half of petrol sales.

The Petrol Retailers Association has called for a 30p differential on the tax. This would be enough to compensate for the lower performance of unleaded, the cost of adjustments to the engine that many cars would require, and to add an incentive as well.

No one believes, however, that a price differential alone is enough. Many cars on the road would sustain serious cylinder valve damage if run on unleaded fuel for a long time, and others would require internal adjustments.

Confusion over the issue was amply demonstrated in the results of a survey by Jet Petrol, the Conoco subsidiary. Jet found that more than half of motorists did not know which cars could take unleaded and, more alarming, 36 per cent of dealer's staff did not know.

Jet, incidentally, does not yet market unleaded in the UK, although it has introduced unleaded refining capacity.

"We have a big educational problem," admits Mr Berwick. "The education of the motorist is just as vital as the fiscal incentives."

Still, Mr Berwick believes the problem can be exaggerated since most motorists would only have to check charts at petrol stations just once for their own car. About 10 per cent of cars on the road at the end of 1987 could use either leaded or unleaded petrol, while 15 per cent could be easily retuned to use unleaded.

Leasing tax rules appeal

FINANCIAL TIMES REPORTER

THE EQUIPMENT Leasing Association is asking the Chancellor to ease tax rules on export leasing in his Budget. It claims that the present system favours foreign financiers.

The association wants amendment of the 1982 Finance Act to permit a 25 per cent annual writing-down allowance on equipment for export owned by a UK leasing company. At the moment the allowance is 10 per cent.

Sogat claims historic deal for women in printing

By Philip Bassett, Labour Editor

LEADERS of the print union Sogat '82 are claiming a breakthrough in conditions for women with a 6.6 per cent pay deal they are recommending for acceptance by employees in the general printing industry.

Sogat said the agreement, covering about 90,000 printing employees directly or indirectly, included provisions for women in two areas. Women make up about one-third of the employees affected by the provisional deal.

First, the union said it had secured its claim for cancer screening facilities for women. All female employees covered by the agreement with the British Printing Industries Federation will be entitled to on-site breast and cervical cancer screening facilities during working hours, or time off with pay for these arrangements.

Second, the agreement includes a joint statement of guidance on equal pay, which says men and women have the right to be assessed against the same criteria and to be paid the same rate where they meet it.

Sogat sees this as a step towards securing an industry-wide equal pay for equal value agreement, rather than fighting a series of test cases through industrial tribunals.

Miss Brenda Dean, Sogat general secretary, said: "We now believe Sogat leads the way on national agreements covering cancer screening for women." She described the screening provision as "an important landmark in the history of trade union negotiation."

The deal, which will be put to a ballot of the union's members in the printing industry, gives weekly increases for adults of £7.05 to £7.97, and sets a minimum earnings level of £119.34 in the provinces and £120.10 in London.

Other provisions include a further day's holiday and bereavement leave, and a requirement on printing companies to encourage sick pay schemes at house level.

● Civil service union leaders are encouraging all their members to sign a petition requesting the Government to introduce, for all women civil servants the free provision of work-based cancer screening facilities and education.

Call for minimum pay to match needs of part-timers

BY JOHN GAPPER, LABOUR STAFF

WAGES councils should set minimum pay rates matching the needs of part-time employees living in the least costly parts of the country and who are not the family's main earner, according to employers in the cafe and restaurant industry.

The argument, made in a submission to the Unlicensed Place of Refreshment Wages Council, follows protests by retail employers at the level of wages council settlements. It was described by the GMB general union as outrageous.

The UPR wages council provisionally raised the minimum wage for 115,000 workers by 4.5 per cent after hearing the employers' argument that it was no longer responsible for maintaining "reasonable standards of remuneration."

The Confederation of British Industry is consulting its members over whether they support the 26 wages councils, which set minimum wage rates for employees over the age of 21, following protests by some retail employers.

However, the UPR wages council argument may be adopted by other employers worried that councils have not fully adjusted to the 1986 Wages Act, limiting them to setting minimum pay rates and maximum employee accommodation charges.

The UPR employers side said it was "dismayed and extremely concerned" by a "grossly excessive" workers' claim for increases in the minimum hourly rate from £2.10 to £2.50 and in the overtime rate from £3.15 to £5.25. The council's role was to set pay rates appropriate to "a part-time employee who is not the main breadwinner of the family and is working in the lowest cost area of Great Britain," it said.

It said the claim would have "a disastrous effect on the future of the industry" and instead suggested that the hourly rate should be set at £2.19. It was eventually set at £2.20, with an overtime rate at £3.30.

Mr Colin Forbes, leader of the employers' side, said he thought the independent members of the wages council had accepted the argument that the rate was intended as "a safety net rather than the going rate."

Mr Mick Fisher, GMB national officer for hotel and catering, said the employers' argument implied the pay of workers in the sector could safely be restricted because many were women working part-time.

● The GMB has accepted a 4.5 per cent minimum rise for about 400 permanent staff at Butlin's, the holiday company, after a ballot produced only a narrow majority in favour of taking industrial action to resist it.

Jobless 'will work or lose benefit'

By Our Labour Editor

THE GOVERNMENT will introduce in the UK the American workfare system, which compels the unemployed to work or lose benefit, according to Mr Michael Heseltine, former Cabinet minister and a possible contender for the Conservative Party leadership.

Mr Heseltine's remarks, made on LWT's The London Programme last night, run directly counter to assurances given by current Cabinet ministers, including Mr Norman Fowler, Employment Secretary, who returned this week from a visit to the US looking at American employment and training practices such as workfare-style schemes.

Mr Heseltine said of workfare: "I think it will come to the advanced societies. If the unemployed say we want to opt out, we want no part and make no contribution, the system has to say, well, if that is your view, that's a free choice you're making – but don't expect us to pay you to do nothing when there are lots of valuable things we'd like you to do."

His statements are the furthest any senior Conservative figure has gone in support of workfare.

Land Rover threat to reduce pay offer

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

LAND ROVER'S management yesterday redoubled its efforts to break a two-week-old pay strike at its Birmingham production plant with a warning that its pay offer might be cut if industrial action continued.

The threat followed the breakdown of exploratory talks held yesterday morning under the auspices of the Advisory Conciliation and Arbitration Service at its offices in Birmingham.

Management and unions held separate meetings with Acas officials, but neither side gave ground and the discussions ended in deadlock after three hours. No further talks are planned.

About 6,000 production workers have been on strike since the beginning of last week over a pay offer which the management says is worth 14 per cent over two years. The workers unions say the offer is worth only 8 per cent in new money over the period because it partly consolidates bonus payments already being received.

Land Rover said yesterday that the unions had asked for part of the weekly attendance to be consolidated into basic pay during the Acas talks. They had also asked for a higher increase in basic rates in the second year of the deal.

The company said: "We have made it perfectly clear since the beginning of February that the company has made its final offer so we were surprised to hear that the unions were asking for more money."

For its part, the management had suggested that the unions should conduct a second ballot of their members to determine the level of support for the strike, but the unions rejected the idea.

The company said it was becoming increasingly likely that it would have to reduce the size of its offer as the strike went on: "The dispute is damaging the company and reducing our ability to pay it."

● British Rail's eastern region services to and from London's Liverpool Street are expected to return to normal today following a 24-hour strike yesterday by train drivers over a regrading and safety dispute, which caused severe disruption to services.

Ford to invest £3.4m in training centres

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

FORD of Britain is to spend more than £3.4m to develop open learning centres at each of its 22 UK plants, in one of the largest investments by a company in open learning.

The centres are designed to allow employees easy access to training facilities outside work hours. Workers will use videos, computer-based training and more traditional teaching methods to learn a range of work-related skills, ranging from numeracy and literacy to those of a professional standard.

The investment in the centres follows the opening in 1986 of the company's Technical Training Centre at Dagenham, which last year trained more than 1,500 employees.

Details of the company's plans are disclosed in a report on retraining of employees by Income Data Services, the labour market research company.

Most employees are trained only on short induction programmes when they start a job, the report says. However, the pressures of new technology, moves towards multi-skilling, skill shortages and the influence of Japanese employers are leading more companies to invest in continuous retraining, it says.

Mr John Cope, the Employment Minister, criticised companies which had not developed coherent training programmes. He said surprisingly few employers were tackling skill shortages with training programmes.

He said: "Just as the Government has adopted policies to give the unemployed and the young the skills they need for jobs, company policy must now respond to the growing demand for skills."

IDS Study 405, Retraining. Available on subscription from IDS, 193 St John's Street, London EC1V 4LS.

APPOINTMENTS

Bearings company formed

Following the "buy in" at RHP Bearings in December, divorcing the bearing manufacturer from the original RHP Group, a new management structure has been established. A holding company temporarily named AJB INDUSTRIES, has been established in RHP Bearings' headquarters at Newark, Notts., with Mr Alan Bowkett as chief executive. Other directors are: Mr Ian Galloway, managing director, RHP Bearings; Mr Roy Hammond, who has joined from Boulton & Paul as group manufacturing director; and Mr Gavin Morris, from Bain & Co., of the US, as group commercial director. Mr Paul Stevenson, financial director of RHP Bearings, will act as company secretary of AJB.

★

P-E INTERNATIONAL has appointed Mr John Platt to its board as finance director. He was finance director with Systems Designers.

★

SINTROM, Reading, has appointed Mr Jon Watts as group marketing and business development director. He joins from Datapoint Corporation where he was managing director of its New Zealand subsidiary.

★

Mr R.W. Apted has joined the board of DELANEY GROUP, Birmingham, as operations director. He was with the Delta Group, where he was managing director of the components sub-division.

★

Mr Norman Drummond, who retired as under secretary with the Department of Economic Development, Belfast, last year, has been appointed to the board of HARLAND AND WOLFF as a non-executive director.

★

Mr Tony Inchley has been appointed managing director of LINREAD'S commmercial products division. He was a main board director of Automotive Products.

★

Mr Avrom Sherr, director of legal practice at Warwick University, has joined MACFARLANES as director of training.

★

Mr Victor H. Watson has been appointed vice president of LEEDS & HOLBECK BUILDING SOCIETY. He is chairman of John Waddington, Leeds, and of John Foster & Son, Queensbury.

★

THE WM COMPANY, Edinburgh, has appointed Mr Ian Angus as technology director; Mr Jim Watters becomes global performance marketing director; and Mr Jim Phillips has been made financial controller and company secretary.

★

BRITISH AIRPORTS SERVICES, a wholly-owned subsidiary of BAA, has appointed Mr Denis O'Brien as information systems director from April 1. He is head of computer services with the Milk Marketing Board.

★

Ms Anita Walker has joined SCHOFIELDS (YORKSHIRE), department store subsidiary of Clayform Properties, as assistant managing director. She was general manager of fashion for the Lewis group.

★

Mr Steven Mitchell, assistant general manager of BARNSLEY BUILDING SOCIETY, has been appointed an executive director on the board following the retirement of Dr Stanley Race.

★

NATIONAL TELEPHONES GROUP has appointed Mr Richard Hall as group financial director. He was group finance director, ITL, Information Technology.

★

Mr Jeffrey Hodson has been appointed as financial director, a newly-created post, of the UNITED OVERSEAS GROUP. He was a partner with Stanley Spofforth and Co., the company's auditors.

★

Following the merger of Babcock International with FKI Electricals, FROUDE CONSINE, part of the newly-formed FKI Babcock group, has appointed Mr Glen Hurst as director, contracts, and Mr Allen Turner as director, production.

FINANCIAL TIMES

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Saturday March 5 1988

Challenge for Europe

"JOY SHALL be in heaven over one sinner that repenteth, more than over ninety and nine just persons, which need no repentance." That is the natural response to the statement this week by Mr James Baker, the US Treasury Secretary, in support of exchange rate stabilisation and against any further fall in the value of the dollar.

The commitment of the US monetary authorities to stabilisation of the dollar was proved in the early part of January by their co-operation in successful intervention by the central banks. None the less, Mr Baker's formal statement adds a valuable element. Since Mr Baker has often used the threat of dollar devaluation as a stick with which to beat his creditors, they will be pleased to see the cudgel laid aside.

US deficit

The problem remains that US repentance is likely to prove temporary. The question is whether voluntary private finance of the US external deficit can be found on the required scale. It could be found if the US were prepared to orient its monetary policy to that end, regardless of the domestic cost. But, whatever the Secretary of the Treasury may say now, that is most unlikely to remain the US priority in an election year. The intention to be good may not long outlast the temptation to revert to the old ways.

Mr Nigel Lawson's and Mr Baker's grandiose dreams about exchange rate management last September were not so much unsound as ill-timed. More immediately relevant is what Western Europe can do for itself. On this, there have recently been two interesting reports from the Centre for European Policy Studies in Brussels, one on the European Monetary System and the other entitled Two-Handed Growth Strategy for Europe.

The latter report risks the remark that "we feel safe in concluding that the (political) difficulties of co-ordinating policies at a world level are such that the effort may scarcely be worthwhile." Furthermore, "it would be futile to aim at finely-tuned co-ordination of economic policies between Europe, the US and Japan . . . We believe that Europe should assume responsibility for its own economic policies and regard itself as an autonomous economic entity."

This is a simple piece of unconventional wisdom. It is correct because, as the CEPS report shows, the European Community as a whole is quite closed enough to pursue an independent policy, provided that the policy is itself a sensible one.

Instead of complaints about the US one would like to see positive initiatives from the European countries. The two hands referred to in the CEPS report are those of supply and demand. While lip-service is paid to supply, the authors convey the impression that demand matters most, the main recommendation being fiscal expansion in Germany, France and the UK, combined with exchange rate stability through the EMS.

Four points are worth making. The first is that the EC must build on the success of the EMS in stabilising exchange rates and reducing disparities in inflation among the member countries. The EMS has shown that exchange rate management can work if governments want it to.

Secondly, as capital controls are removed within the EMS, it will become increasingly difficult to operate without greater interest rate instability than hitherto. The EMS is, therefore, likely to evolve towards permanently-fixed exchange rates among its members, which means that rates of inflation within the region must not merely converge, but become virtually identical.

Thirdly, the loss of monetary autonomy in all but one country means, in practice, that the Bundesbank controls European monetary policy. It is argued that the Bundesbank's policy imposes deflation on Europe, but this seems unfair. The Bundesbank has provided price stability. Since it is quite unlikely that a conscious policy of inflation would bring greater growth to Western Europe in the longer term, the Bundesbank's credibility in monetary policy is a valuable asset, not one to be lightly cast aside.

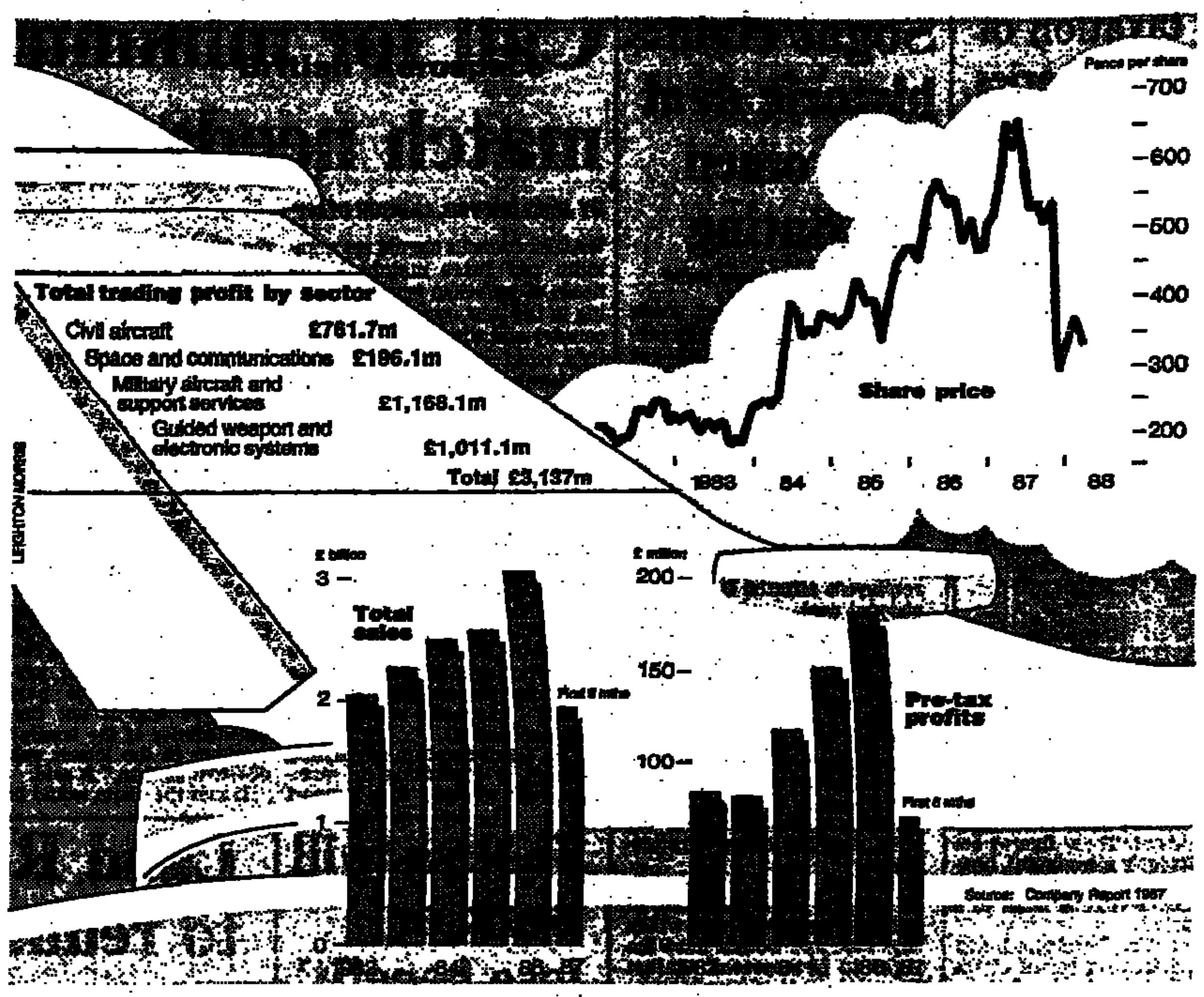
Fiscal policy

Finally, the two-handed policy for the EC should focus on the use of fiscal policy for demand stimulus, especially in West Germany, with its huge excess supply of savings. Pace the authors of the CEPS report, the UK is in no position to risk further stimulus. Along with the fiscal stimulus should go vigorous efforts to liberalise the internal market, free external trade, especially agriculture, in the context of the Uruguay round of the Gatt, and remove obstacles to the functioning of markets within each economy.

What role should the UK play? It can at least commit itself to the EMS, the only game in town as far as exchange rate management is concerned. Meanwhile, the Europeans should welcome the repentant sinner across the Atlantic, but would be well advised not to hope for too much. When the EC has regained economic dynamism as well as exchange rate stability, true US repentance will be marked by an application from Mr Baker's successor for associate membership of the EMS.

Terry Dodsworth looks at BAe's existing businesses in the light of its proposed takeover of Rover Group

The risks of taking a longer view



"WE CANNOT just go on rationalising our industry in this country. Business is about taking risks, about developing new products and adding value to those products . . . We shall be a force in both manufacturing and engineering, and more so than those companies that have been criticised recently for sitting on their cash."

After 48 hours of justifying one of the most radical restructuring moves to have been launched on British industry in decades, Professor Roland Smith, chairman of British Aerospace, is virtually word perfect. Big, affable, still relaxed enough to slip in the occasional professorial witticism, he hammers home a simple message to explain BAe's extraordinary offer for the Rover car group: BAe is, he says, moving from a position of strength to broaden its asset base and give itself a deeper cushion against cyclical swings in any one sector. Those who cannot see the potential of Rover simply have not looked at its recent performance.

"We need a portfolio of businesses with sufficient balance to generate increasing earnings per share year by year," Prof Smith says. "We have businesses like space and communications which are on the frontiers of technology, but it is no good being on those frontiers if you don't have mature operations which are making profits. It's just like being a professor and not being able to make money out of that."

The concepts that led to the Rover decision predate Prof Smith's brief nine-month stint at the company by several years. They go back to 1978, when BAe, then in public ownership, concluded that its business had become too dependent on the defence sector. The outcome was a move back into civil aviation, after a 17-year gap, with the short-range 146 "quiet" regional jet.

BAe did not expect to make quick profits on the re-entry to the civil market. Indeed, if one were looking for evidence in Britain of the kind of virtues that Europeans frequently find in Japanese industry – long-term thinking, willingness to take a risk on high technology and the determination to put cash to work – it would be hard to find a more apposite example than BAe. It may well be 1995, the company believes, before it makes any significant returns on its civil airliners. By then, its production will be firmly based on the European Airbus range; BAe has a 20 per cent stake in the Airbus Industrie joint venture, and makes all the wings for its various aircraft.

The company has been able to afford this expensive long-term investment largely because its military business throws off plenty of cash. It has been helped by government launch-aid loans – it will receive £450m for its involvement in the A330 and A340 airliners, for example – and it also had a £179m rights issue in 1985, but the the programme has essentially been underpinned by the profits flowing out of products such as the Tornado fighter-bomber, the Harrier vertical take-off fighter-bomber, the Hawk trainer and the Rapier ground-to-air missile. This formidable array of weaponry undoubtedly accounted for the City's enthusiasm for the company until May of last year.

The plunge in the company's stock market valuation since then, a period in which the share price has been virtually halved from 688p to 360p, says a lot about current perceptions both of the defence sector and the group's tricky shift towards a broader product base.

On the defence side, the period of strong growth in government expenditure, which marked the early 1980s, is now clearly over, while the authorities are moving away from cost-plus contracting methods which used to give a virtual guarantee of profits. "Defence spending is going down in real terms, and more funds are being diverted towards the navy," says Mr Carel Rhys, an academic who has worked on several House of Commons Industry Committee enquiries.

There is only one big new military aerospace project, the European Fighter Aircraft, under consideration at present, and this demonstrates the difficult nature of the new challenges facing BAe. The aircraft offers great potential for profits for companies that can capitalise on the requirements of its unique 800-aircraft programme. But for BAe it is far from a panacea. It will demand, for the first time, very high investment in new mass production techniques, while over half the value of the aircraft will be accounted for by electronic avionics equipment, an area in which BAe has a limited manufacturing presence.

Up to now, there has been little sign that these pressures are making much of a dent in BAe's military equipment business, although the picture will be clearer, within a few weeks, after the announcement of last year's figures. According to the 1986 accounts, it achieved operating returns of about 13 per cent on both its military aircraft activities and its guided weapons and electronic systems division, which both generated trading profits of about £140m. But what analysts have been watching of late is not so much profits as the ability to generate cash.

In the last three years, BAe has produced cash like an alchemist who has finally cracked the formula for gold. Admittedly this period brought in the £179m of rights issue funds, but total net cash inflow amounted to much more – a total of about £740m.

There are, however, doubts about the durability of this. It is felt that the more stringent policies now being introduced by the Ministry of Defence may squeeze the amount of up-front money that is available, forcing military contractors to fund more of their projects from their own resources. Moreover, a large element of the inflow is in the form of advances on future deliveries, particularly the £5bn Tornado order the company won in Saudi Arabia. These advances eventually slip out of the cash pile into work-in-progress and there is no certainty that they will be replenished by new orders.

At the same time, the move towards building up the civil operations may soon begin to act on the other side of the cash equation, sucking out funds

After an initial pummelling, BAe has won a few converts in recent days

into development projects. "My feeling is that this year the rate of inflow will fall and the rate of spending on working capital increase," says Mr Piers Whitehead, an analyst at Robert Fleming. "The company has been talking about a big build-up in its civil aerospace commitment."

These questions in the City have recently been reinforced by another, more short-term anxiety – an expected collapse in profits for the 1987 financial year caused by the sharp fall in the dollar. The company has been hit by problems similar to those which recently sent the results of Philips of the Netherlands into a dive: virtually all its receipts in the civil airline field, accounting for about 25 per cent of group sales, are denominated in dollars, while its cost base is in sterling. It now seems likely that the group will pile both last year's currency losses and a provision for the next two years into the 1987 figures, leaving little or no profit at all.

Against this background it is hardly surprising that there was general astonishment at BAe's decision to bid for Rover, which over the last decade has shown an insatiable appetite for cash and which is based in an industry where model development costs come a close second to aerospace itself. Nevertheless, after an initial pummelling from all and sundry, BAe has won a few converts in the past few days, for several reasons.

First, whatever the cash demands over the next few years, BAe has a healthy balance sheet at present: at the end of 1986, it was showing £1bn of liquid assets against £240m of debt and shareholders' funds of £1.2bn. It has already indicated that its cash balances did not deteriorate in 1987, despite the £190m acquisition of the Royal Ordnance company.

Perhaps the most important issue here is the shape of Rover, if it is finally taken over. BAe clearly intends to negotiate hard with the Government to eradicate the car group's debts so that it emerges with a clean balance sheet and sufficient funds to finance its part of its joint projects with Honda. The expectation is that Rover will stand on its own feet, while remaining dependent on the Honda alliance for new products.

"Everything depends on the way the deal is structured," says Mr Rhys. "BAe might have the cash to develop a new Land Rover, but it could not spend $1bn on developing a new car in the way that Ford does."

Second, says Prof Smith, BAe has a strong range of products, illustrated by its record order book of £10bn and its success in overseas markets. Last year, the aircraft company was Britain's third largest exporter after BP and ICI with sales of £2bn, illustrating the way in which the aerospace industry has come to equal and in some ways overshadow the role of the motor business in the British manufacturing economy.

Some industry specialists argue that BAe's size and product base put it in a better position than component manufacturers to defend itself against a squeeze on defence spending. "The companies that have a lead role in projects will be the best placed over the next few years," says a consultant, "because they have the power to select the higher value-added parts of the programmes for themselves."

Third, profits ought to bounce back after the 1987 figures. To some extent, the longer term performance will continue to depend on the dollar: BAe and Airbus have to sell in dollars in competition with Boeing of the US everywhere in the world, so the opportunity to raise prices is limited. It can, however, act on costs, an area where some critics believe it has moved too slowly compared to companies such as Rolls-Royce, even though it has virtually doubled sales per employee since 1981. BAe concedes that it does not yet match the productivity performance of Boeing, which has the advantage of longer production runs, and it has recently launched a drive to tighten up on suppliers and its use of working capital.

Fourth, the acquisition of Rover would take the group a further large step down the road to diversification. The aim eventually is to have turnover split equally between the military and civil markets, with a portfolio of products at different stages of maturity, in industries with somewhat different growth cycles. The Royal Ordnance acquisition, for example, has given the group a company with products that realise investments in a matter of months rather than the 15 years it takes to gestate a new aircraft and bring it through into profit.

BAe would also emerge from a deal with Rover as a very large company with, it believes, added clout in international markets. Its combined group turnover would amount to around £7bn, some £2bn less than Boeing's at present exchange rates, but roughly on a par with McDonnell Douglas's, its other big American rival, and £1bn more than Lockheed's.

All this, of course, would be quite useless if BAe has misjudged the nature of the challenges facing it, or the risks that it is taking. The investment in civil aircraft remains a gamble, with the money in Airbus tied up in a business that is subject to continuing international political wrangles, to say nothing of unrelenting competition from one of the most powerful manufacturing competitors in the world.

The military equipment business may also be heading into a period which requires tougher control than it has over the last few years, while the diversification programme will also demand deft management over such a broad range of products. Most of all, Rover could easily prove incapable of living up to the brave new ambitions that BAe has for it. Such a disaster could have the even more damaging effect of dragging down a company in the most dynamic sector of British manufacturing.

Man in the News

Gen Manuel Antonio Noriega

Master manipulator in a world of intrigue

By David Gardner

General Manuel Antonio "Tony" Noriega, Panama's embattled military overlord, has shot to the top of the Reagan Administration's list of international villains, ranking with Col Gadaffi of Libya and the Ayatollah Khomeini. It is an anomalous position for the ruler of a country that is a strategic US ally.

When Gen Noriega was sacked as commander of the 15,000-strong National Guard by President Eric Arturo Delvalle last week, within hours he had simply installed the country's sixth figurehead president in as many years.

In response, the private sector this week shut down most of industry, commerce and banking. More significantly, Washington stepped up its efforts to oust the General by cutting off revenue from the Panama Canal and backing a successful court application by Mr Delvalle's supporters to freeze Panamanian assets in the US.

Since riots, lock-outs and strikes against the regime started last June, the Reagan Administration has sought openly to remove Gen Noriega as Guard Commander. Panama has been ruled *de facto* by the Guard since a coup in 1968 led by Gen Omar Torrijos, a man of great personal magnetism, who ruled the country till his death in an air crash in 1981.

Gen Noriega has been accused – by defectors from the regime, by opponents in Panama, and by the US – of a long catalogue of offences. These accusations, frequently made without proof, include drugs and arms trafficking, the murder of a prominent opponent, rigging the last elections here in 1984, passing US secrets to Cuba and forcing out a series of civilian presidents.

A pattern of political infighting has debilitated the regime since Omar Torrijos's death. Torrijos was an engaging and genuinely popular leader. He built up a high degree of cohesion in Panama's melting pot society, based on some wealth redistribution and a successful foreign policy, crowned by the 1977 Carter-Torrijos treaties for the phased return of the Canal by 1999.

Torrijos made Panamanians care passionately about turning a semi-colony into a self-governing nation, built around a piece of land important to the rest of the world and owned by the US.

Gen Noriega's main line of defence has thus been that the US is trying to renege on the Canal Treaties, which Mr Reagan vehemently opposed at the time. It is perhaps the most damaging judgement on Gen Noriega that this tactic has failed to rally support outside the Guard and its political ally, the Democratic Revolutionary Party (PRD), and the regime-dominated public sector unions.

Gen Noriega is a squat, diffident man. Like practically all Guard officers, he comes from a humble background. He often wears a shy sort of smile on his badly pock-marked face, articulates weakly and cannot carry off the Torrijos style he affects in public. Like many Panamanian politicians he is a believer in the occult.

He was trained in the early 1960s in Peru, then the cradle of populist military nationalism. Gen Noriega became head of G-2 military intelligence in 1970. Using G-2 as a power base, he built a tight network of officers under him which has now become his praetorian guard, cemented by partnership in an array of business operations. He has the reputation of the most accomplished manipulator in a country with a world class reputation for intrigue.

Yet in 1974 in Managua, for instance, he gave a prescient speech in front of the former dictator Somoza, warning that without social justice Central America would go up in flames. "He has two or three personalities, one of them reasonable," says a former member of the regime.

During his apprenticeship, Gen Noriega, Guard Chief since 1983, developed powerful contacts in the Pentagon and the Central Intelligence Agency. William Jorden, a former US ambassador to Panama, says Noriega was recruited by the CIA in 1968.

Gen Noriega's indictments on drugs charges by two US federal grand juries in Florida will have increased his need to keep a tight hold on power, since they appear to leave him no way to negotiate a withdrawal. Jose de Jesus "Chuchu" Martinez, a Marxist mathematics professor and former bodyguard and adviser to Gen Torrijos, argues: "He has no alternative now but to fight to the death. That's Reagan's big mistake."

"Torrijos played poker, Noriega plays chess," Mr Martinez sums up, adding that the General is a black belt in judo, and at his best when under attack.

The Civic Crusade yesterday ended this week's strike. Though it was a qualified success, the Crusade throughout showed all the signs of a vacillating merchant class. All opposition media have been closed, and the regime is entrenched even if its power is lightly used.

Despite speculation and rumour, there is no sign of a split in the Guard, where officers are reported to feel threatened by the attacks on their chief and suspicious of US intentions.

No matter how great the support from the Guard, the crisis poses a serious threat to the economy. Two-thirds service-based, it depends on the free transit of ships through the canal, goods through its $4.4bn Free Trade Zone, and money through its 125-bank international financial centre.

Gen Noriega's most immediate problem is government cash-flow. Panama was already in the grip of a fiscal crisis when the US tightened the financial screws this week. The Treasury has total cash resources totalling around $40m. Panama's currency is the US dollar and it has no central bank to print money. Local banks actually ran out of cash on Thursday, and remained closed, under government orders, on Friday.

Ahead lie the mid-monthly public sector wage bill and mid-March negotiations on the $4bn public foreign debt, on which Panama fell into arrears last summer.

General Noriega still has room to manoeuvre, "but it has to be on debt" says the PRD leader, Ernesto Perez Valladares, a former finance minister. Some officials state flatly that debt service will not be met. Your move, General.

ON WEDNESDAY, with a sense of timing which delighted Business Daily editor Mr Andrew Clayton, the FTSE index broke the 1800 barrier for the first time since the October crash, right in the middle of his half-hour television programme.

It added a touch of topicality to the professional, if basic, cocktail of company results, interviews with captains of industry and analysis of the consequences of British Aerospace's proposed purchase of the Rover Group.

This daily business programme, launched in September, has between 200,000 and 300,000 viewers watching at home and an additional unknown number watching on office television sets at the inhospitable time of 12 noon. Channel 4 is pleased enough with the result of what was initially seen as an experiment to extend the proposed two-year contract for a further year.

Yet some of the most remarkable things about Broadcast Communications, the company which produces these programmes, cannot be seen on screen. It is producing about 150 hours of television a year for Channel 4 at the rate of about £25,000 an hour (inexpensive by national television standards), with a total staff of 45. "I have about half the number of people I would have at the BBC," said Mr Clayton, a former deputy editor of Panorama, the BBC current affairs programme.

The company has the permanent use of a modern studio in the Limehouse independent production complex in London's Docklands. The £2m a year package bought from Limehouse comes complete with two film crews – one for the daily programme and one for the Sunday – and technical back-up. Even the computer graphics, a strong feature of the programme, are provided by people who are not on the staff of the production company.

Michael Braham, chairman and joint managing director of Broadcast Communications, which is quoted on the Stock Exchange's third market, believes that television companies like his will play an increasing role in the future of British television.

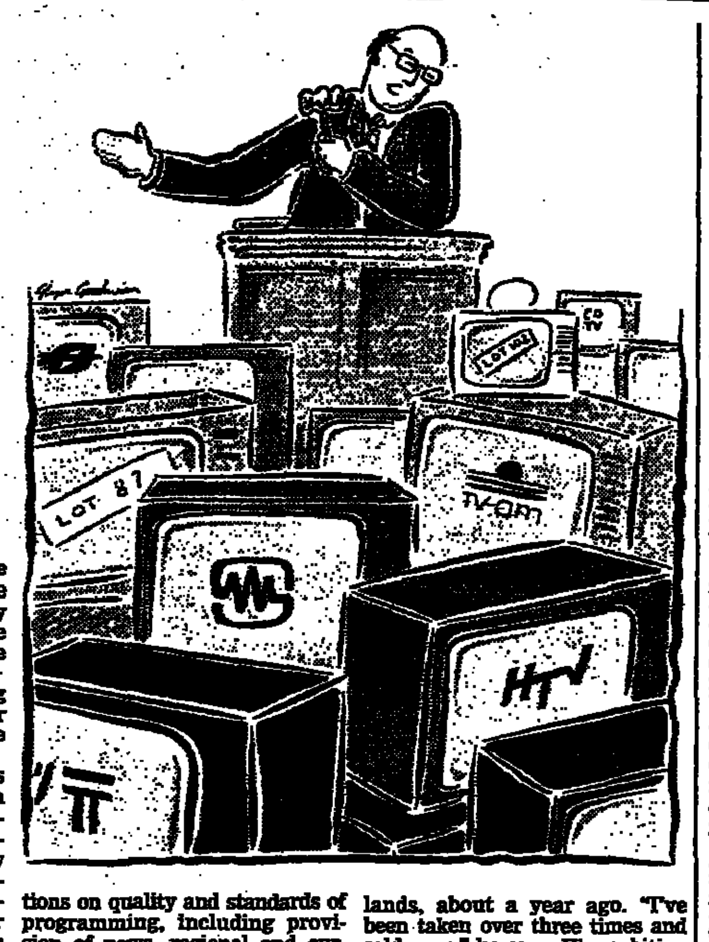
"It is a very healthy discipline knowing that if you spend too much money the cheques bounce," says Mr Braham, who produced programmes at both Thames Television and London Weekend before becoming an independent producer.

But Mr Braham is now working on more ambitious projects. He hopes to combine his knowledge of how to make cost-effective television with the financial muscle of a large company and be able to bid for an ITV franchise next time round.

Last month a Cabinet committee chaired by Mrs Thatcher decided that the present network of regional ITV franchises would be awarded by a process of auctioning, or what is politely called competitive tendering, when next they fall due – the first brick to be put in place in the construction of a complex package of proposals which will radically alter the face of British commercial television in the 1990s.

Raymond Snoddy on the future for British independent television

The hammer hangs over broadcasting



Not surprisingly it is a concept that finds favour with Mr Braham, who says: "I very warmly welcome any step that will open up commercial television in this country to a wider group of people."

For the 16 ITV companies who hold regional monopolies on the sale of television advertising – bringing in revenues of around

These proposals will radically alter the face of commercial television

£1.4bn this year – the Government's decision realised their worst fears. They are determined to fight the concept at every stage of its long Parliamentary progress towards Royal Assent scheduled in 1990.

"It's the end of monopoly and the creation of a commercially driven competitive environment with a weakened role for trade unions. It's the Thatcher world of broadcasting," said one senior ITV executive who asked not to be named.

The first signs that a fundamental shake-up was in the making for ITV came last September when some of the leading figures in British broadcasting were startled to be told by Mrs Thatcher at a Downing Street seminar that she regarded broadcasting as "one of the last bastions of restrictive practices."

The backing for the auctioning of franchises, albeit after what could be a stiff pre-qualifying stage, indicates just how serious Mrs Thatcher is about change.

But it is much easier to decide in principle to have competitive tendering – recommended by four of the seven members of the Peacock Committee into the future of British broadcasting – than to predict how such a thing could be managed in practice or what the ultimate effect would be on programme standards.

Supporters of the idea see it as a "transparent" system, much preferable to the previous secretive process run by the Independent Broadcasting Authority when winners and losers of franchises were often equally mystified about the reasons for their fate. It would also, supporters argue, give franchise winners an enormous incentive to be cost effective. The Treasury would like such a change because it would get its "monopoly rent" up front. At the moment the special levy is paid on ITV profits which has always left room for creative accounting.

Opponents point to a wide range of dangers including the possibility of non-commercial bids by those seeking power or influence more than profits or unrealistically high bids by those who then try to recoup their investment by cutting corners on programme costs.

"If you want to maintain the range, quality and diversity of programmes you just cannot put it (a franchise) out to the market-place," said Mr Paul Fox, managing director of Yorkshire Television, one of the big five network ITV companies.

Such a process could lead to further "casualisation" in the industry. New franchise holders would be more likely to commission programmes from outside suppliers, as Channel 4 does, rather than hiring large standing armies of permanent staff.

Nothing has yet been decided as to the details of the tendering but it seems likely that the first qualifying round could be extremely rigorous. Apart from financial viability and probity, the Government might decide that many of the current obligations on quality and standards of programming, including provision of news, regional and current affairs programming should be met as part of the qualifying process, possibly backed by financial performance guarantees. Mr Rupert Murdoch, chairman of News International, would be excluded if, as seems likely, applicants would have to qualify as European Community companies. If the Government is concerned about media concentration it could decide that owners of national newspapers need not apply.

The final bidding round could then be straight cash bids or, more probably, bids in the form of percentages of projected annual advertising revenue which would build greater flexibility into the system.

Longer franchises than the existing eight years seem likely and the possibility is rumoured that the new commercial television companies of the 1990s could be bought and sold, something blocked by the IBA now.

Clearly the clock has started to tick for the existing ITV companies. Some may now start cutting costs to build up a war chest, others may diversify to extend their asset base for possible borrowing, some may look for a white knight to hold their hands in unfamiliar terrain.

It is all pretty familiar to Mr Leslie Hill, who came from a career in industry to become managing director of Central, the ITV franchise holder for the Midlands, about a year ago. "I've been taken over three times and sold once," he says. His ambition is to make Central, which employs 2,000 people, more like an ordinary business in terms of costs and staffing and he has already asked for early retirements and some non-replacement of staff. "I think we can and will survive," he adds, "but it depends on the success of the changes we are setting out to make."

The Cabinet Committee has already "dealt with" the BBC by linking the licence fee to the retail price index. Now it has turned its attention to independent television. Its package of change is also likely to include competitive selling of Channel 4's airtime. At the moment the ITV companies sell the airtime and pay Channel 4 an annual subscription.

Go-ahead for a fifth, and possibly even a sixth, national channel covering between 50 and 70 per cent of the UK is likely. The Department of Trade and Industry is also very enthusiastic about MVDS, local microwave television which could fill in the gaps, particularly in the south of England where a fifth channel could not reach because of interference. As the Cabinet Committee tries to balance the competing claims of direct broadcasting by satellite, cable, MVDS and new land based channels with the existing ITV system, the only certainty is that from 1992 the commercial television picture will never be the same again.

The Israeli Defence Forces

A struggle to cleanse the impurity of arms

By Andrew Whitley

TELEVISION pictures which shocked the world last week of Israeli soldiers systematically beating two captured Palestinian youths have contributed to a growing debate within Israel over the army's handling of the violent unrest in the occupied territories.

For nearly three months the Israeli army has been trying with limited success to contain and suppress the uprising. So far, not one soldier has been killed, or even seriously injured, while more than 80 have died on the Palestinian side. But "the war", as many Israelis are beginning to describe the conflict, is turning out to be one of the toughest, and most controversial, this atypical citizens' army has ever had to fight.

"The outcome of the struggle in Judea and Samaria (the West Bank) today is no less critical to Israel's future than the outcome of the (October 1973) Yom Kippur war," Brigadier General Nehemeya Dagan, the services' chief education officer, said on army radio.

In recent weeks, a mounting number of cases of abuse of authority by regular soldiers – often teenagers doing their compulsory military service – have come to light. Apart from the incident covertly filmed by the CBS network, there is documentary evidence of three people – one a schoolboy – having been beaten to death and of one case of demonstrators being buried alive.

Alarmed at the signs of cracking morale and indiscipline, the high command of the Israeli Defence Forces has responded with a string of public appearances, tighter guidelines on the use of force, and, most recently, a decision to limit to six consecutive weeks the amount of time a conscript can serve in "the territories".

Brigadier General Amnon Straschnow, the IDF Advocate General, has acknowledged that in the early days of the unrest "a certain ambiguity of instructions" had been responsible for the development of "exceptional situations". He says that the root of the problem was the conversion of the army from a conventional fighting force to one capable of handling crowd control.

Insisting that nothing is being swept under the carpet, he and other senior officers argue that for an army whose key advantage over its adversaries has traditionally been its *esprit de corps* and personal motivation, it was in the IDF's own interests to put its house in order.

Military policemen have initiated about 70 criminal investigations against soldiers, said the army's chief prosecutor, in addition to which there had been an unknown number of disciplinary actions taken by field commanders.

At the heart of the agonised debate in Israel is the impossible-to-answer question of what constitutes the appropriate level of force. Caught in the middle are hundreds of thousands of Israeli parents of teenagers about to enter the army who themselves are subject to *milium*, the 40 days a year of reserve duty every Israeli male adult up to the age of 50 is required to serve. Few exceptions are made and even fewer Israelis would contemplate dodging the draft, a time-honoured rite of passage for young men and women. One of those called up for the first time last week was none other than Anatoly Shcharansky, the former Soviet dissident freed from jail two years ago and permitted to emigrate to Israel.

At the same time, because they are all required to make such large personal sacrifices for the sake of the country's military preparedness, Israelis are fully prepared to exercise their right to criticise. In no other country would one hear the kind of electrifying radio debate broadcast live from Kibbutz Afikim on Monday.

For several hours, Major General Amram Mitzna, the 42-year-old commanding officer for the West Bank who personally took charge of the army's response to the CBS film, faced a barrage of frequently hostile questions from kibbutz members. Several of the questions dealt with what is widely seen as a sharp deterioration in recent years in the high ethical standards on which the IDF was founded – epitomised in the Hebrew phrase "the purity of arms".

"It is clear to me there is such a problem. There has been damage done . . . and it is clear to me that we will have to deal with it," said General Mitzna. Earlier he had overseen the immediate arrest of the soldiers responsible for the filmed beating and the release of the Palestinians involved.

He dismissed calls for greater use of force. Unlike real war, he said, "against residents in the territories we cannot do whatever we wish. There are rules. Judea and Samaria is an area under military occupation acting according to rules . . . and international law."

The army points out that the level of force being employed in the occupied territories bears little comparison with the situation in 1970, when unrest in Gaza and Nablus was quelled with the aid of tank fire.

"We have far more limitations on the means at our disposal than we had in the past," said Brigadier General Ephraim Lapid, the IDF chief spokesman. "Between 1967 and 1981 we deported hundreds of people, we destroyed hundreds of houses as punishment. The level of violence is minimal compared with the past." Today, he claimed, less than 8,000 infantry soldiers were deployed in the West Bank and Gaza, out of a standing army of 140,000, though this figure excludes the paramilitary (and often more brutal) Border Police.

The army's plans for its next "work year", commencing in April, involve the continuing stationing of much larger than usual units in the territories. However, in a significant switch, the mix of regular soldiers, including conscripts, and reservists is to be changed in favour of the older, more mature and experienced reservists.

Ten days ago, two days before the incident filmed by CBS, General Straschnow issued an urgent 10-point directive to all field commanders, saying force could never be used as a punitive measure, nor after a demonstration was over; nor should a person be hit on the head or other sensitive parts of the body. Nor could private property be intentionally damaged.

The generals say their actions are not intended to provide a substitute for a political solution. Instead, as the Advocate General puts it, they are trying "to give the politicians the latitude to negotiate". But the Palestinian resistance shows few signs of weakening in this showdown with an army of occupation which, despite being unsure of itself, is determined not to be the one to give in first.

Letters to the Editor

Nato and non-proliferation

From Dr David Lowry.

Sir, Joe Rogaly's essay on Mrs Thatcher's atomic ardour (February 26) set the scene well for her appearance at the Nato summit this week. But he overlooked an important diplomatic point.

Mrs Thatcher has stridently insisted that nuclear weapons cannot be disinvented. Then – by surreptitious sleight of hand – she conflates this fact with her political posture that they should not be dismantled either. Clearly the latter position is not the only logical outcome of acceptance of the former.

20 years ago this year, on June 12 1968, the United Nations General Assembly commended the nuclear non-proliferation treaty (NPT) to the governments of the world. So far 135 have listened and signed, making the NPT the world's most extensive multilateral nuclear disarmament treaty. Article VI commits all signatory states to:

"Undertake to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear dissarmament".

Not only have successive UK governments therefore retained UK membership in a treaty that envisages total nuclear dismantlement, but the UK, along with the US and the USSR, is a depository state for the NPT, having played an honourable role in the trilateral negotiations, 1964-1967.

So resolute is the Prime Minister's atomic advocacy that it is clear that she and her ministers do not believe in the goals of the NPT.

Last week she made clear in a parliamentary reply to Dr D.E. Thomas MP (February 24) that during her recent working visit to Nato headquarters she did not discuss UK or other Nato state commitments to NPT Article VI.

The discussion is about new nuclear weapons, not doing away with existing ones. Perhaps it is time she asked Sir Geoffrey Howe, the Foreign Secretary, to do the decent thing and negotiate the United Kingdom's withdrawal from the NPT, and join France, equally pro-nuclear, which has always had the honesty at least to refuse to sign the treaty.

David Lowry,
European Proliferation Information Centre,
258 Pentonville Rd, N1

Bound neither by screen nor word

From Mr F.J. Meikle.

Sir, Last week I decided to sell my holding of 1400 shares in a unlisted securities market (USM) company. The shares were bought in October 1987, and no certificate had yet been forwarded to me. (The broker said: either lost in the post, or put in his nominee account – is this to stop me selling the shares elsewhere?)

The price shown in the FT was 145p; two days later this was the figure "on the screen" as confirmed by the broker when I telephoned to instruct him to sell. Minutes later the broker telephoned back with the news that "they" would only deal at 135p (something to do with the size of the market?). I agreed to sell at this lower price - and eventually received a contract note showing a figure of 132p – less, of course, commission and VAT.

I telephoned the broker about this further reduction in price, and was told that it was because my holding was 1400 shares (which he must have known, as he had sold them to me). If I had had 1000 shares the price would have been 135p, but because I had more the price went down, as "they" did not really want them.

Should this procedure be taken as standard practice? If so, it seems that neither the screen nor the word is a bond any longer.

F.J. Meikle,
7 Wychwood End,
Stanhope Road, N6

Imperative action needed

From Mr John Fontannaz.

Sir, I read with interest Mr Maurice Groves's letter (February 27) expressing concern about delayed settlement – that is, delayed delivery of shares purchased.

A straw poll among friends shows it as the norm. Settlement in the form of a certificate for purchases is not being made for many months. The surveillance department of the stock exchange informs me that the furnishing of certificates falls outside their jurisdiction; it is a matter which can only be pursued with the broker.

But this problem raises the matter of title. Under the Sale of Goods Act the question of title is quite clear. Buying stocks and shares and selling them is not so clear. While the stock exchange guarantees that if a broker goes into liquidation the investor is covered, without certificates the investor cannot protect himself by selling stock in the market – which could accentuate further losses.

If one has to wait as long as a year for certificates, as I have, is it not time that the surveillance department or some other body stirred itself to look after the investor? The matter is so serious that action by the "authorities" should be imperative.

John V. Fontannaz,
Thamesfield,
Mill Road,
Marlow, Buckinghamshire

Japan's significance as an aid donor continues to be underrated

From Mr Adrian Hewitt.

Sir, Japan's significance as an aid donor – and as a possible key to the solution of third world indebtedness – continues to be underrated in the public mind.

Although "Observer" (March 1) thought the Gallup questionnaire "thoroughly misleading" when it came to comparing Japanese and British aid, it is surely relevant that Japan now provides concessional assistance of $5.4bn annually – almost 15 per cent of the official aid from all the developed market economies – while the UK's tally is $1.76bn, or less than 5 per cent.

It is, after all, the absolute amounts of concessional resources transferred which are of interest to developing countries, and it is quite reasonable to suppose that countries in balance of payments surplus should respond in this way. Even Taiwan – not so long ago merely an "aid graduate" – is now planning to inaugurate its own international development assistance programme.

Nor is it altogether judicious – if one wants to rubbish the competition – to lay so much stress on official aid as a percentage of gross national product. By this measure of "effort," the UK's performance of 0.32 per cent may look slightly better than Japan's, but how does that square with the 1986 figures for Soviet development assistance, which beat the UK both in terms of absolute volume ($4.2bn) and percentage of estimated gross national product (0.33 per cent)?

Other measures of national effort and aid quality put Japan in a rather favourable light. Japan's 121.4m population finances an official aid programme worth $44.4 per head per year; Britain stretches only to $30.9 per head. And Japan's aid is 69.7 per cent untied, Britain's only 37 per cent untied. Bang goes another myth about Japan's pseudo-generosity.

Far from "perpetuating the idea that Japan is a great donor," I write as a corrective to conventional wisdom that she is not; and as a reminder that world economic power – and responsibility – shifts rather fast. Countries like Japan and Italy have overtaken the UK by most of the standard aid performance indicators.

And since the subject is, broadly, the charity of nations, and the top agenda item is debt relief, perhaps your columnist ought to have taken to heart the maxim: "give credit where credit is due."

Adrian P.Hewitt,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park, NW1

A world away from the chop

From Mr B.C. Garston.

Sir, The professional timidity of Michael Thompson-Noel (Weekend FT, February 27) in the presence of an adept – expanded upon to comic effect – does nothing to dissipate the cloud of myth and misunderstanding which obscures the public view of karate, a rewarding sport and art.

Furthermore, I suspect that the idea of any martial arts instructor earning £250,000 a year would be seen by most practitioners as a world away from the true spirit of classical martial training.

B.C. Garston,
Inns of Court School,
Gray's Inn Place, WC1

Home of the brave

From Mr Lloyd Ericsson.

Sir, I must take exception to your correspondent's suggestion (February 20) that the fact of an American election this year may keep some US citizens at home. On the contrary: all those who are prudent would flee the country. Not because of the results, but because it is too painful to endure the process.

Lloyd B. Ericsson,

Martin, Bischoff, Templeton, Ericsson & Langslet,
2900 First Interstate Tower,
Portland,
Oregon, USA

UK COMPANY NEWS

ADT profits surge to $155m

BY CLAY HARRIS

ADT, the international services group which last week changed its name from Hawley Group, yesterday reported pre-tax profits of $155.4m (£94.8m) in 1987, accompanied by a 10th consecutive increase in earnings per share to 25.1 cents.

In terms of the US dollar, Bermuda-based ADT's accounting currency, the 1987 figures represented an 87 per cent pre-tax advance from $83.2m and a 20 per cent rise in earnings from 21 cents. In sterling terms, the respective increases were 67 per cent and 7 per cent.

Mr Michael Ashcroft, chairman, said that 1987 had been the most significant of the 10 years during which he had headed the company because of the acquisitions of ADT, the largest US security services operator, and of British Car Auctions, market leader in the US and the UK.

ADT, BCA and several other smaller acquisitions contributed $30m before tax and after financing costs. BCA was part of the group for eight months, ADT joined Hawley in October.

The acquisition of ADT made security services the most important contributor to pre-tax profits, lifting it over maintenance services, including office cleaning and hospital housekeeping, which last got a big boost with the takeover of Pritchard Services Group in 1986.

Pre-tax margins from maintenance grew only from 4.8 per cent to 5 per cent, compared with 12.7 per cent on security and 27 per cent on auctions. Mr Ashcroft said further US expansion in maintenance was likely to be focused in non-metropolitan areas.

Group sales increased by 46 per cent to $1.28bn (£842m). Income taxes of $17m (£9m) reflected a slight rise in charge to 11 per cent from 10.7 per cent.

An extraordinary credit of $49.2m ($40.9m) mainly reflected the gain made by Henlys, ADT's 48 per cent owned Canadian associate, on the disposal of Cope Allman International, the UK-based amusement machine, packaging and engineering company.

Fully diluted earnings rose to 22.4 cents (20.2 cents). The dollar's decline meant a small fall in earnings for sterling-based shareholders.

ADT is to pay a final one-for-23 scrip dividend, following an interim scrip of one-for-60. In 1986, a one-for-80 interim was followed by a one-for-53 final.

Shareholders who elect for the cash alternative will receive a final pay-out of 5.2 cents (4.1 cents) to make a doubled total of 12.4 cents (6.2 cents). At yesterday's exchange rate and London share price, the scrip final was worth about 8.9 cents.

The scrip dividend is payable on May 6, the cash alternative two months later on July 7. At the interim stage, about 30 per cent of shareholders chose the cash.

Fewer than half of ADT's shares are now held in the UK, with about one quarter in the US, with the rest in continental Europe (mainly Switzerland and West Germany), Japan and Australasia. A Paris listing is expected shortly.

Early indications of trading for 1988 were up to expectations, and Mr Ashcroft said he looked forward to continued growth.

See Lex

ADT RESULTS BY DIVISION AND GEOGRAPHICAL SECTOR ($M)

	Sales	Pre-tax profits
Security services	306.3	39
Maintenance services	753.2	37.5
Auction services	109.8	29.8
Associated companies	–	25.3
Other activities†	65.1	23.8
North America	823.5	109.2
Europe	261.6	43.1
Australasia	149.3	3.1
TOTALS	1234.4	155.4

†Includes central costs and other income and expenses

Judge rules Dawson's case must be tried

By James Buxton, Scottish Correspondent

THE COURT of Session in Edinburgh has refused to dismiss a case brought by Dawson International, the Scottish textiles group, against Coats Patons, arising out of Dawson's unsuccessful bid for Coats Patons in early 1986, when it was "jilted" by Vantona Viyella. The case is now expected to go to trial.

Dawson is suing Coats Patons for £3.4m over the cost of underwriting an agreed bid for the Glasgow-based company. It alleges that Coats Patons had agreed to recommend Dawson's offer to its shareholders, and that it would discourage and refuse to co-operate with an approach from another bidder.

Yet, Dawson alleges, Coats Patons did encourage and co-operate with an approach from Vantona Viyella, the Manchester-based textiles group. It then recommended its shareholders to accept a merger of the two companies into Coats Viyella. The merger went through and Dawson did not contest it. Dawson alleges that Coats Paton was in breach of contract.

Dawson also alleges that Coats Patons and two of its directors misrepresented the situation in meetings with Dawson, suggesting that Dawson and Coats Patons were in agreement.

The case is believed to be the first time a losing bidder has sought to reclaim underwriting costs after an unsuccessful bid.

Lord Cullen, the judge, ruling on points of law, refused Coats Patons' application for the case against it on breach of contract to be dismissed. But he dismissed Dawsons case against Coats Patons and its two directors for misrepresentation.

Unless Coats Patons appeals there will now be a trial in which Coats Patons will put its own side of the case. Mr David Alliance, chief executive of Coats Viyella, yesterday expressed relief that the threat of legal action being brought against its two directors – Mr James McAdam and Mr Michael Bell – had disappeared, adds Alice Rawsthorn.

He said that Coats Viyella was confident that, after the evidence had been presented, the case for alleged breach of contract would be dismissed.

Aberdeen American coming to USM capitalised at £11.6m

BY STEVEN BUTLER

Aberdeen American Petroleum, the independent oil company, will be coming to the Unlisted Securities Market after a complex set of merger deals that will increase the company's capitalisation to £11.6m.

Coming after the takeover of Britain's two largest independent oil companies, Britoil and Tricentrol, the listing is likely to be welcomed by investors in the sector who have increasingly fewer investment vehicles.

Mr Paul Dumond, finance director, said the timing was coincidental. The deal was being worked on for months, although he hoped that shares of the company would become more widely traded.

Until now the shares have been trading on the Third Market.

Aberdeen American will acquire Claremount Oil and Gas and Hurricane International in exchange for new shares of Aberdeen American.

The enlarged group will have interests in more that 200 wells in the US and more than 50 wells in Canada, with proven reserves of 6.4bn cu ft of gas and 954,000 barrels of oil. It also has exploration activities in the UK, Colombia and Australia.

The group's properties are expected to generate a cash-flow of about £13m over the next five years. Mr Dumont says the group plans to use the cash-flow to finance continued exploration activities so that it will not have to return to shareholders with calls for more cash.

Aberdeen has some 14.88m shares in issue. About 12.76m new shares will be issued at 30p each for the acquisition of Claremount. Hurricane shareholders will be issued 11m shares at the same price, making a total of 38.64m shares in issue at the end of the transactions.

The group has no long-term bank debt and credit lines of $500,000. A further £1m of credit has been offered.

Shareholding in the company will remain fairly concentrated after the transactions. Some 22 per cent of the company will be owned by Mr Dudley Hughes. Several trusts managed by Kleinwort Grieveson will hold another 19 per cent. After a range of institutional holdings, about 30 per cent of the shares will be held by individual investors.

Aberdeen American shares were suspended at the end of January at 37p.

FKB buys four US agencies

BY ANDREW HILL

FKB Group, marketing and sales promotion agency, has made its first move overseas with the purchase of four independent US agencies for a maximum of $59.7m (£33.7m) in cash and shares. They are to be funded partly by a £15.1m two-for-three rights issue.

In the two days preceding yesterday's announcement, FKB's share price rose 45p to 270p, but closed 5p down at 265p last night on news of the rights issue.

Mr Duncan Bain, one of the three founding directors of FKB, said: "We were a little bit annoyed by that, because there have been no press leaks and we have avoided the trade press like the plague this week."

He said FKB, which was ready to make the acquisitions before the stock market crash, had worked out the rights price of 210p on the basis of a share price of 250p. The issue has been fully underwritten by County NatWest.

The proceeds of the issue will also be used to fund future expansion. Mr Bain said FKB was hoping to buy more independent companies in North America, which has 55 per cent of the world marketing and sales promotion market. Toronto and Atlanta are possible targets and FKB is also building experience in Europe through affiliated companies on the continent.

The US businesses acquired yesterday are Focus Marketing, QLM Associates, and The Saugatuck Group – all based near New York – and The Hermann Group of St Louis, Missouri. Payments up to a maximum of $46.8m are related to the profitability of the companies in the next five financial years.

The five executive directors of FKB have said they are not going to subscribe for all their rights. They currently hold about 62 per cent of the company, which could be reduced to 40 per cent if none of their rights is taken up.

MS expects profit leap to £3.75m

By Clay Harris

MS International, the mechanical and electrical engineering group facing a hostile £24m takeover bid from Dobson Park Industries, yesterday forecast record pre-tax profits of £3.75m in the year to April 30, more than treble the £1.06m achieved in 1986-87.

MS shares rose 11p to 126p, further increasing the gap between the market price and the 91.5p value of Dobson Park's shares-and-cash offer. Dobson Park, like MS a manufacturer of mining equipment but also with interests in industrial electronics, power tools and toys, has until next Friday to increase its bid.

Dobson Park said the forecast did not allow shareholders to "assess the sustainability of the recent revival of MS's profits and the current state of its balance sheet." It focussed specifically on MS's failure to specify the benefit of a pension contributions holiday or of property sales.

MS said it planned to pay a final dividend of 2.55p (1.5p) to make a total 65 per cent higher at 3.3p (2p). It forecast earnings per share of at least 10.5p (2.8p).

Mr Michael Bell, MS chairman and chief executive, said the expected pre-tax advance was not quite so dramatic based on the 1986-87 figure of £2.24m for continuing operations.

MS said its policy of profitable diversification away from the UK coal mining industry had been totally justified. In the past six months, its American Longwall subsidiary had won nine orders worth more than £12m (£6.8m) for armoured conveyors, which are used to carry coal along the pit-face.

Overall, MS said, the forecast reflected "substantial improvements in margins, tight control of overheads, investment in new products and businesses and, above all, effective management."

Thorn EMI tidies balance sheet

BY DAVID THOMAS

Thorn EMI, the diversified retail and electronics group, wants to restructure its balance sheet in order to simplify accounting for future acquisitions.

The company last year set out on an acquisitions trail having completed a large number of disposals which played an important part in its recovery strategy following a financial crisis in 1985.

Thorn is now understood to be particularly keen to expand its lighting and security businesses outside the UK by acquisition, though the company stressed that its balance sheet proposals were not linked to any specific purchases.

Thorn wants to reduce its share premium account by creating a new reserve against which the goodwill arising on acquisitions could be written off.

The proposal would eliminate the bulk of Thorn's share premium account, which stood at £282.2m at the end of March 1987.

The company intends to write off against the new reserve goodwill of £29m arising from acquisitions made in the past two years. The balance of £253m would be available for writing off goodwill from future acquisitions.

The proposal is particularly relevant to cash acquisitions and to share acquisitions which do not result in a complete takeover of a company. Under existing regulations, any goodwill from these types of transactions cannot be written off against the share premium.

Mr Bob Nellist, Thorn finance director, said the proposed move would make for a tidier and more orderly balance sheet.

Thorn, which is keen to ensure that its remaining core businesses have a strong international presence, last year made several acquisitions including the £371m purchase of Rent-a-Center, a leading US rental chain.

The company is now understood to be in the early stages of considering an international acquisitions strategy for its lighting and security businesses, which Thorn sees as the next candidates to transform into truly international operations alongside its retail and music businesses.

Thorn would probably be particularly keen to build up its security operations in the US and its lighting business in North America and those parts of the Continent where it is not already strong. Thorn has substantial presence in the lighting markets of Scandanavia and Italy.

Thorn's proposed restructuring of its balance sheet would not diminish its net assets, its ability to pay dividends or the voting rights of shareholders.

The proposals will be put to an extraordinary meeting. The company will then apply for a High Court order confirming the reduction in the share premium account.

Sale Tilney lifts profits

BY DOMINIQUE JACKSON

Sale Tilney, the mini-conglomerate, yesterday announced pre-tax profits up 42 per cent from £5.17m to £7.33m in the year to November 30 1987 on turnover down from £86.2m to £72.3m.

The directors recommended a final dividend of 6p per share making a total of 10p per share (8p) for the year.

Included in pre-tax earnings is a £1.8m consideration from the sale of know-how. There was also an initial partial contribution from the sale of food manufacturing division, Newtime Foods, to Premier Brands in October. The balance of this will be paid in July.

Following the sale of Newtime, which produced jams, pickles and preserves, Sale Tilney's food operations are restricted to imports and distribution. These contributed £319,000 compared with a loss of £679,000 last year.

The majority contribution was £5.62m (£4.2m) from the technology divisions which comprise specialised lighting manufacture, food technology and electrostatic coatings.

Insurance services contributed £76,000 (£723,000) while financial services accounted for £1.32m (£916,000).

Mr Richard King, chairman, said the company's financial position was extremely sound and that the company would acquit itself well in the current year. Just over £1m had been set aside to cover anticipated extra costs arising from new classes of business underwritten by its Monument Marine and General Insurance company where the settlement of claims has a longer life.

After taxation of £2.52m (£1.58m), earnings per share were 21.1p (19.2p).

● comment

Mr Richard King has good reason to congratulate himself on the timing of the Newtime Foods disposal - the company obtained a generous price for the unprofitable pickle maker and sealed the deal on October 9, accounting for the near-£1m swing in the fortunes of the food division. The company will hold on to food importer Peabody which has performed strongly so far this year. Sale Tilney continues to have success selling its expertise and this helped to boost margins in the core technological divisions. Although the financial services division is holding its own post-crash, the company would be ill-advised to seek another acquisition in the sector. Sale Tilney is keen to make a bid but may find itself the target of one if it does not move soon. Current forecasts are for £8.5m, giving a prospective multiple of around 9.

Granada moves into Spanish retailing

By Nikki Tait

Granada, the TV and leisure group, is making its first move into the Spanish electrical retail market with the purchase of a 76 per cent interest in Kapy SA, for a total of £4.9m.

Kapy is one of two national electrical retailing chains in Spain and takes just under four per cent of the market. It comprises 75 shops, situated mainly in the centre of the country (principally Madrid), in the north and in the south east.

Sales in 1987 were around £35m, and goods handled range from washing machines and cookers to videos and televisions. Granada said yesterday that the private company had been operating at "about break-even", and in the latter half of 1987 had debts of around £1.5m-£2m.

The UK company - which last December won control of rival Electronic Rentals in a £250m bid - already takes in NASA, the second largest consumer electronics retailer in France. However, it disposed of its Spanish rental interests - along with other European subsidiaries - to Thorn EMI in September.

Granada is paying an initial pta 668m (£3.2m) cash, plus further cash — not profit-related — totalling about pta 324m (£1.6m) over the next three years.

Yesterday, Granada said it saw Kapy as a further step in its international development, and could envisage expanding the chain to at least 100 outlets over a reasonable period of time.

Country New Town

Country and New Town Properties, the development and investment group controlled by Pennant Holdings, the Australian property company, is to change its name to Pennant Properties.

The move is part of the company's future strategy.

Bullers denies merger logic

By Nikki Tait

Bullers, the china and enamel products manufacturer, yesterday said it had been notified that Rock, motor parts and tool distributor, was prepared to make an offer for the company.

Bullers said it could see no commercial logic in the two companies coming together and did not propose to enter into negotiations. It also noted that Rock was a smaller company in terms of market capitalisation, which had not paid dividends since 1980. Rock said it was considering the matter and that "from our point of view, there is commercial logic."

Rock had a pre-tax loss of £553,000 in 1986 and a £179,000 deficit in the first half of 1987. Its shares eased ½p to 13½p yesterday. Bullers gained 5p to 48p, valuing it at around £6.4m.

Polytechnic Electronics recovering

Polytechnic Electronics has started its recovery, and the directors are looking for an acceptable level of profitability in the current year as they are confident the upturn will continue.

In the six months ended November 30 1987 this USM quoted maker of navigation equipment experienced a surge in turnover from £1m to £3.21m and in pre-tax profit from £12,000 to £310,000.

The directors' confidence is based on the strong forward order book and the growth of, and improvement in, production capabilities.

In the year ended May 31 1985 the company made a profit of £1.19m and paid a dividend of 3.77p. Profit in the following year fell to £103,000 and in 1986-87 the company ran into losses of £847,000; on both occasions the dividend was passed.

Tax rise slows Britannia Security earnings growth

BY PHILIP COGGAN

Britannia Security, the acquisitive business services and alarm installation company, announced doubled interim pre-tax profits yesterday but a rising tax charge restricted earnings per share growth to 5 per cent.

Margins were hit by the acquisition of Actron, formerly Checkpoint Europe, which produces anti-shoplifting surveillance systems. Actron has developed a new "soft" security tag and therefore sold off a lot of its previous stock of hard tags in the first half. Costs were also incurred in establishing an international distribution network.

However, the company said it had high hopes that profits from the new, technically superior, soft tags would start to flow through next year.

In September, Britannia acquired Leahy Business Services, a data storage group, in its first major move into the US and there is a three-month contribution in the figures. After the end of the half, Britannia agreed to acquire Instar, another US company, which will be integrated with Leahy.

Mr Kevin Watters, the finance director, said that the only disappointing division was manned guarding. However, Britannia had no plans to sell off the business as it wants to be able to offer a comprehensive security service.

Pre-tax profits in the six months to December 31 were £4.35m (£2.03m) on turnover nearly trebled at £26.3m (£10.1m). After tax of £1.07m (£386,000), earnings per share were 6.04p (5.74p). The interim dividend is being increased to 0.90p (0.72p).

● comment

Investors showed a healthy dose of "long-termism" yesterday marking Britannia's shares down just 1p to 205p despite the merely marginal earnings per share growth. Britannia has expanded so far so fast that it was inevitable that there would come a point when the costs of integrating acquisitions would temporarily outweigh the benefits from previous purchases. But investors seemed ready to accept yesterday that the hefty p/e's paid for recent purchases will be justified in the long term; Actron's soft security tags, for example, could be extremely lucrative given the extent of retail theft. And the company is now cash-generating as recurring income services like data storage and central rate take over from the original alarm installation business. Forecasts of pre-tax profits at Britannia always appear slightly unreal, given the speed with which the group makes acquisitions; but assuming £11.5m for the year, it hardly seems justified for the shares, on a prospective p/e of 13, to be at a discount to the security sector.

Amercoeur Energy

Following the acquisition of Amercoeur by Dacia to form Amercoeur Energy at the end of June 1987, the third market-listed mineral exploration company reported pre-tax profits of £116,000 for the 18 months to December 31 1987.

The comparable pre-tax figure for the year ended June 30 1986 was a loss of £142,000.

For most of the period the group had been in a development stage and could expect strong earnings growth in 1988 and 1989.

William Morris suspended

By Fiona Thompson

Shares in William Morris Fine Arts, USM-quoted wallcovering manufacturer, were suspended at the company's request yesterday at 6p.

The company said its board was at an advanced stage of negotiations regarding a capital reconstruction of the business and a major acquisition. An announcement would be made within a month, said Mr Trevor Barker, chairman.

William Morris reported a pre-tax loss of £538,000 in the six months to the end of June 1987. For 1986 the company incurred a £773,000 loss, a sharp reduction on the previous year's £2.74m loss.

At the time of the 1987 interims, the company said the wallpaper business had been marginally profitable at the trading level in the third quarter but not sufficiently to cover interest charges.

Braime rises to £213,000

T.F. & J.H. Braime (Holdings), manufacturer of seamless drawn presswork and distributor of elevator components, increased pre-tax profits 12 per cent in 1987 from £190,043 to £213,068. Turnover was up 14 per cent from £2.45m to £2.92m.

From attributable profit of £146,712 (£115,141), earnings per share were increased 21 per cent at 9.03p (7.47p). The final dividend was 3.5p (3p) making a total of 5p (4.5p).

R&M to launch first UK split level trust in the US

BY NIKKI TAIT

IN CONTRAST to the doom-laden mentality permeating much of the investment trust sector recently, the independent River & Mercantile group is launching an innovative "split level" American trust.

Although split level funds – where the income and capital growth elements of the underlying portfolio are represented by different share classes – date back to the sixties, this is the first to specialise in an overseas market.

The launch of the trust was orginally planned before the October crash – although R&M maintains that today's levels will make portfolio management easier. It has, however, decided to launch the shares via a placing, restricting the trust's initial size to £15m.

R&M is confident that the US economy will grow in 1988 and says there are excellent investment opportunities.

The managers concede the yield on the income shares is lower than on UK-invested split level income shares, as is the anticipated discount on the capital shares. However, they argue that some UK investors wish to put money back into Wall Street and that the shares are attractive in comparison with other US investment trust vehicles.

Half the money raised comes from the placing of 7.5m income shares at 100p each, and half from 37.5m capital shares at 20p. The placing is being handled by stockbroker Olliff & Partners. The shares start trading on March 14.

The income shares start with an estimated net asset backing of 42.1p, which should then rise to 100p by the time the trust is wound up in 1999. They enjoy all the trust's income, and get a small share in any surplus capital growth achieved by the managers. The starting yield is estimated at 8.5 per cent gross.

Capital shares have initial asset backing of 80p, and basically enjoy the bulk of the capital growth, aside from certain income share commitments.

At winding up, the first distribution is 30p to the capital shares, followed by up to 100p to the income; next, the capital shares get another 20p; of the remaining surplus 90 per cent then goes to the capital shares and 10 per cent to the income.

In addition, every five capital shares carry one warrant to subscribe at 32.5p for a further capital share, which Olliff is offering to purchase at 7.5p until March 18. The implied price of the capital share is 18.5p, therefore, and the initial discount 38 per cent.

Beazer deal highlights banks' support

BY PHILIP COGGAN

CH Beazer sent out a circular to shareholders yesterday giving the details of its $1.3bn bid for US aggregates group, Koppers including the complex financing

The deal indicates how far banks are prepared to go to support leveraged takeover bids. Shearson Lehman and NatWest Investment Bank will actually own significant stakes in Koppers if the bid succeeds.

Shearson injected $23.05m into the vehicle company, BNS, in return for 46 per cent of the ordinary equity; NatWest injected $2.45m for a 4.9 per cent stake. Under the provisions of the Glass-Steagall Act, NatWest Investment Bank is classified as a commercial bank and thus cannot take a stake of 5 per cent or more in a non-financial company.

The structure of the deal means that Beazer can keep BNS's debt off its balance sheet, despite the fact that it has also injected $175m into the vehicle in the form of preference shares. Beazer has also agreed to inject a further $100m of equity if following the takeover Koppers fails to meet certain financial tests.

Beazer has a call option entitling it to buy out the banks; but the banks also have put options, entitling them to sell their shares in BNS to Beazer 5½ years after the bid is successful. The price will be the original stake increased by 25 per cent per annum.

Shearson Lehman's commitment is not limited to the equity stake. It is also providing $465m of bridging finance which will eventually be converted into subordinated debt (paying not more than 18 per cent per annum, the document says); the rest of the debt funding is coming in the form of a $640m loan syndicated by Citibank.

James Buchan adds from New York: Mr Charles Pullin, Koppers' chief executive, has transformed the company, which started life building steel mills and furnaces and expanded into chemicals in the 1960s. Since taking over in 1982, he has sold off the original steel-mill business as well as engineering and timber operations and concentrated the company on chemicals, which contributes about 40 per cent of revenues, and on a booming highway construction, repair and materials business.

Although this business is highly fragmented, Koppers has the largest operation in the US, with over 2bn tons of reserves, and strong positions in the northeast and southern California. Analysts believe profits are growing at over 15 per cent a year.

"It's a terrific outlook," says Mr Tom Taylor, an analyst with Chesapeake Securities in Baltimore. "State and Federal gas taxes have caused a build up in assets in trust funds for highway repair. It's hard to get approval for quarries and if you have them in the right place, it's almost a mini-monopoly. Koppers should do very well."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Allied Rests § ......int	0.5	May 6	-	-	-
Braime (TF & JH)...fin	3.5	-	3	5	4.5
Britannia Secty......int	0.9†	-	0.72	-	1.8
Irish Glass ......int	0.75‡	-	0.5*	-	2*
Sale Tilney ......fin	6	Apr 29	5	10	8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Irish currency.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	-	273	218	AMI Healthcare 20p	268	-3	q5.0	2.9	2.6	18.3
§150	F.P.	-	165	150	Archer (A.J.) Hldgs 1p	165	+10	R6.5	2.1	5.4	12.3
§95	F.P.	-	108	98	Askett Associates 5p	104	-1	L2.5	2.9	3.3	14.3
330	120	-	92	61	British Petroleum	63		R12.5	1.5	6.3	13.6
20	F.P.	-	151	131	♦Carron Phoenix 10p	151	+1	R3.5	2.7	3.2	15.7
§130	F.P.	-	148	140	♦Copymore 5p	141		b2.0	3.0	1.9	17.2
§30	F.P.	-	41	38½	Gardiner Group 5p	41		b0.75	3.9	2.5	13.9
§64	F.P.	-	78	64	♦Hughes (H.T.) 10p	78	+2	b2.25	2.1	4.0	14.4
52	F.P.	-	68	62	In Shops 5p	68	+2	R1.3	2.6	2.6	16.9
160	F.P.	-	165	154	♦London Forfaiting	164	-1	n6.5	2.3	5.4	9.7
§100	F.P.	-	108	100½	♦Norfolk House Group 5p	108		R2.19	3.8	2.8	10.8
§650	F.P.	-	750	710	Shanks & McEwan 50p	750xd	+5	b15.5	2.3	2.8	20.4
§130	F.P.	-	138	125	TGI Group 1p	133	+1	R4.75	3.0	4.9	9.5
125	F.P.	-	145	123	T.I.P. Europe	143	+3	R4.2	2.3	4.0	12.1
§80	F.P.	-	90	81	♦Tilton 5p	82		q2.35	2.7	3.9	13.0
11	F.P.	16/3	23	18	Verson Intl. 10p	18½		b0.33	2.7	2.4	16.6
§80	F.P.	-	81	80	Waverley Mla. Fin. 5p	78		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
100	F.P.	1/3	105p	103p	Cooper (F.) 6.5p Cnv. Red Cnv. Prg. Prf.	105p	+1
100	F.P.	-	112p	108p	Expess 6.25p Net Cnv Cum. Red. Prf.	110p	
100	F.P.	15/6	119	107	Grt. Prtlnd. Est. 9¼pc. Cv. Uns. Ln 2002	119	+1
100	F.P.	-	117p	108p	Morgan Crucible 7.5pc Net. Cv. Cm. Rd. Pf.	116p	
100	F.P.	-	107p	102p	Nat. Home Loans 7.5pc Cnv. Pf	106p	
-	F.P.	-	99¾	99⅛	N'wide Anglia 9½pc 20.2.89	99⅛	
100	F.P.	-	109p	107p	Scott & Robertson 7½ Cnv. Cm. Red. Prf	108p	
100	F.P.	-	115p	100p	Stanley (A.G.) 5.75p Cum. Cnv. Red. Prf.	115p	+1
100	F.P.	-	123p	116p	Thomson T-Line 5.75p Net. Cv. Red. Prf	123p	
100	F.P.	-	116p	110p	Widney 8.76pc. Cv. Cm. Rd. Pf. 2000 £1	115p	
-	F.P.	-	138	127	Woolworth 8½pc. Cnv. Uns. Ln. 2000	138	+5

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
1	Nil	-	15pm	10pm	Brewmaker 1p	11pm	-1
180	Nil	-	3¼pm	2pm	Cambium Venture Cap.	3¼pm	+¼
25	Nil	-	3½pm	1½pm	London Inv. Tst. 5p	1½pm	
220	Nil	-	50pm	40pm	Parrish 5p	40pm	-3
250	Nil	-	102pm	60pm	Press Tools 10p	100pm	-2
57	Nil	-	10pm	6pm	♦Splash Products 10p	10pm	

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. H Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. ☐ Including warrants entitlement. ° Third Market.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	THURSDAY MARCH 3 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY MARCH 2 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	104.40	+1.2	87.55	95.65	4.38	103.16	86.34	95.03	180.81	85.36	112.04
Austria (16)	87.58	+0.3	73.44	76.99	2.72	87.33	73.09	76.67	102.87	84.35	94.67
Belgium (48)	134.27	+1.6	112.59	117.55	4.06	132.18	110.62	115.56	134.89	94.63	110.11
Canada (127)	118.33	+0.1	99.23	107.41	3.04	118.19	98.92	107.45	141.78	98.15	123.18
Denmark (38)	119.91	+0.8	100.55	105.56	2.77	118.95	99.55	104.59	124.83	98.18	111.39
Finland (23)	116.59	+1.2	97.77	100.15	1.98	115.17	96.39	98.87	–	–	–
France (122)	85.53	–1.0	71.73	76.98	3.89	86.40	72.31	77.63	121.82	72.77	115.47
West Germany (94)	77.57	+0.0	65.05	68.42	2.71	77.54	64.89	68.22	104.93	67.78	90.14
Hong Kong (46)	95.37	+0.3	79.98	95.50	4.44	95.05	79.55	95.18	158.68	73.92	110.10
Ireland (14)	116.02	+0.2	97.29	104.00	4.22	115.80	96.92	103.60	160.22	93.50	122.74
Italy (94)	73.98	–1.1	62.04	69.07	2.79	74.82	62.62	69.68	112.11	62.99	97.02
Japan (457)	162.28	–0.3	136.08	132.53	0.53	162.84	136.28	132.93	162.84	100.00	121.31
Malaysia (36)	114.94	+1.2	96.38	114.18	3.27	113.54	95.02	112.82	193.64	93.76	135.11
Mexico (14)	175.16	–1.0	146.88	437.60	0.81	176.90	148.05	444.84	422.59	90.07	128.26
Netherland (37)	103.41	–0.5	86.71	89.88	5.07	103.90	86.96	90.13	131.41	87.70	106.14
New Zealand (23)	69.12	+5.3	57.96	55.29	5.89	65.66	54.95	52.73	138.99	64.42	91.66
Norway (24)	112.12	+0.1	94.02	97.09	3.14	112.00	93.74	96.69	185.01	95.51	114.91
Singapore (26)	107.24	+2.6	89.93	99.60	2.41	104.49	87.45	97.00	174.28	81.21	118.60
South Africa (61)	125.32	–0.1	105.09	77.17	5.41	125.40	104.95	77.22	198.09	100.00	129.74
Spain (43)	143.25	+1.3	120.12	123.55	3.40	141.47	118.40	121.81	168.81	100.00	116.10
Sweden (32)	112.72	+0.7	94.52	100.37	2.71	111.91	93.66	99.36	136.64	88.50	109.18
Switzerland (53)	84.47	+0.2	70.83	73.66	2.30	84.34	70.58	73.15	111.11	73.65	97.13
United Kingdom (327)	132.57	+0.1	111.17	111.17	4.28	132.42	110.82	110.82	162.87	99.65	127.21
USA (585)	109.30	+0.0	91.66	109.30	3.45	109.34	91.50	109.34	137.42	91.21	119.94
Europe (965)	105.84	+0.0	88.75	91.61	3.76	105.84	88.58	91.41	130.02	92.25	110.97
Pacific Basin (679)	157.36	–0.3	131.96	129.60	0.71	157.78	132.05	129.92	158.77	100.00	120.46
Euro-Pacific (1644)	136.77	–0.2	114.69	114.48	1.66	137.02	114.67	114.59	143.65	100.00	116.68
North America (712)	109.78	+0.0	92.06	109.21	3.42	109.81	91.90	109.25	137.55	91.68	120.11
Europe Ex. UK (638)	89.23	–0.1	74.83	79.31	3.30	89.32	74.75	79.20	111.97	78.89	100.92
Pacific Ex. Japan (222)	98.10	+1.3	82.26	91.73	4.36	96.88	81.08	90.87	164.03	82.92	110.13
World Ex. US (1846)	136.05	–0.2	114.08	113.97	1.74	136.28	114.06	114.08	143.38	100.00	117.07
World Ex. UK (2104)	125.03	–0.2	104.85	112.45	2.10	125.22	104.80	112.58	138.82	100.00	117.33
World Ex. So. Af. (2370)	125.69	–0.1	105.40	112.58	2.29	125.85	105.32	112.67	139.47	100.00	118.13
World Ex. Japan (1974)	108.15	+0.0	90.69	102.04	3.59	108.12	90.48	101.95	134.22	92.98	116.72
The World Index (2431)	125.69	–0.1	105.40	112.32	2.31	125.85	105.32	112.41	139.73	100.00	118.20

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.
Amendments to indices for March 3 applied to the following: Australia, the Regional Indices and the World Index.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	5,500	Enterprise Oil	3,300	Prudential	999
Allied-Lyons	2,700	Fisons	5,000	Racal	3,900
Amstrad	5,100	General Accident	862	Rank Org.	760
Argyll Group	3,700	General Elect.	12,000	RMC	664
Assoc. Brit. Foods	953	Glaxo	1,600	RHM	2,300
BAA	3,400	Globe Investment	434	Reckitt & Colman	73
BAT	1,900	Granada	1,600	Redland	1,500
BET	2,500	Grand Met	3,800	Reed Intl.	1,200
BICC	1,500	GUS "A"	759	Reuters "B"	405
BOC	902	Guardian R.E.	534	RTZ	1,900
BPB Inds	1,900	GKN	2,300	Rolls-Royce	4,400
BTR	3,200	Guinness	1,800	Rothmans "B"	1,000
Barclays	2,000	Hammerson	336	Rowntree	669
Bass	1,700	Hanson	5,700	Ryl Bank Scotland	359
Beecham	4,000	Hawker Siddeley	1,000	Royal Insurance	1,400
Blue Arrow	5,000	Hillsdown Holdings	1,900	STC	3,500
Blue Circle	1,800	IMI	2,100	Saatchi & Saatchi	1,200
Boots	4,200	ICI	2,300	Sainsbury	1,700
Brit. Airways	5,700	Jaguar	3,100	Scott & Newcastle	1,300
Brit. Aerospace	11,000	Ladbroke	3,000	Sears	7,500
Brit. & Comm.	2,200	Land Securities	725	Sedgwick	2,200
British Gas	9,100	Laporte	48	Shell Transport	3,700
BP	9,600	Legal & General	2,200	Smith & Nephew	3,300
Brit. Telecom	7,000	Lloyds Bank	8,200	Standard Chart.	524
Bunzl	1,200	LASMO	1,600	Storehouse	3,200
Burmah Oil	467	Lonrho	3,100	Sun Alliance	455
Burton	3,500	Lucas	1,500	T & N	1,300
Cable & Wireless	2,000	MEPC	795	TSB	5,800
Cadbury Schweppes	5,600	Marks & Spencer	9,600	Tarmac	4,800
Coats Viyella	3,900	Maxwell Comm.	1,600	Tesco	7,800
Commercial Union	4,300	Metal Box	2,800	THORN EMI	737
Cons Gold	643	Midland Bank	3,000	Trafalgar House	1,600
Cookson	852	Nat West Bank	2,600	Trusthouse Forte	3,900
Courtaulds	1,800	Next	5,000	Ultramar	1,600
Dalgety	394	Northern Foods	419	Unilever	3,300
Dee Corporation	3,900	Pearson	800	United Biscuits	4,300
Dixons Group	3,500	Pearl Group	536	Wellcome	2,700
English China Clays	1,100	P & O	539	Whitbread "A"	3,300
		Pilkington	4,800	Woolworth	2,500
		Plessey	8,200		

ECONOMIC DIARY

TODAY: Start of two-day European Community political co-operation meeting. Trades Union Congress national day of demonstration over the National Health Service. Conservative national local government conference, London.

MONDAY: Retail sales (January – final). Credit business (January). EC Finance Ministers meet in Brussels to discuss the results of the summit, the 1986 report of the Court of Auditors, and prepare for the spring meeting of the International Monetary Fund and the World Bank. EC Agriculture Ministers start two-day meeting in Brussels to discuss the summit's effects on agriculture (set-aside and cereals) and new regulations in the olive oil sector (production aids). Mr Tony Venables, European Consumers' Bureau chief, attends lunchtime meeting at Chatham House, London. European Parliament session opens in Strasbourg – the quality of water and tightening of Community spending rules are on the agenda (until March 11). Labour Party statement on international economy.

TUESDAY: Three-day conference opens on global impact of AIDS, Barbican, London. Twenty US states select one-third of all presidential convention candidates for both parties.

WEDNESDAY: National No-Smoking Day. Detailed analysis of employment, unemployment, earnings, prices and other indicators. TUC women's conference opens, Blackpool (until March 11).

THURSDAY: Provisional figures of vehicle production (February)). CBI/Financial Times survey of distributive trades (February). Mr Warren Lavorel, Co-ordinator for Multilateral Trade Negotiations in the Office of the US Trade Representative, speaks at Trade Policy Research Centre lunch, The Civils, London SW1. Mr Jeremy Isaacs speaks on the future of television (annual Tawney Society lecture), Regent's College, London. Rover Group results.

FRIDAY: Usable steel production (February). Construction output (fourth quarter). UK balance of payments (fourth quarter). Scottish Labour Party conference opens (until March 13), Perth. Green Party spring conference opens (until March 13), Southport. Launch of European Ariane-3 rocket with two telecommunications satellites on board.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Friday March 4 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (27%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Thu Mar 3 Index No.	Wed Mar 2 Index No.	Tue Mar 1 Index No.	Year ago (approx) Index No.	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	861.84	1038.87 16/7/87	618.07 10/11/87	1038.87 16/7/87	50.71 13/12/74
2	Building Materials (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1042.13	1381.88 16/7/87	798.03 4/12/87	1381.88 16/7/87	44.27 11/12/74
3	Contracting, Construction (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1480.36	1951.50 16/7/87	1115.39 10/11/87	1951.50 16/7/87	71.48 2/12/74
4	Electricals (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2823.14	2733.45 20/7/87	1661.76 10/11/87	2733.45 20/7/87	84.71 25/6/62
5	Electronics (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1984.91	2236.70 17/7/87	1375.66 1/12/87	2236.70 17/7/87	1229.81 8/10/85
6	Mechanical Engineering (58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	477.25	544.57 14/10/87	296.26 10/12/87	544.57 14/10/87	45.43 5/1/75
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	452.82	596.67 9/10/87	348.64 9/11/87	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	328.57	411.42 13/10/87	221.69 4/12/87	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1468.80	1736.88 22/9/87	1051.78 10/11/87	1736.88 22/9/87	277.55 15/1/81
21	CONSUMER GROUP (185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1182.93	1486.32 16/7/87	919.77 9/11/87	1486.32 16/7/87	61.41 13/12/74
22	Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1110.74	1269.35 16/7/87	877.37 9/11/87	1269.35 16/7/87	69.47 13/12/74
25	Food Manufacturing (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	885.51	1092.25 16/7/87	726.65 9/11/87	1092.25 16/7/87	59.67 11/12/74
26	Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2144.34	2649.96 16/7/87	1848.05 10/11/87	2649.96 16/7/87	54.25 11/12/74
27	Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2363.21	2699.85 16/7/87	1590.82 10/11/87	2699.85 16/7/87	175.38 28/5/80
29	Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1190.98	1504.79 13/10/87	943.07 9/11/87	1504.79 13/10/87	54.83 9/1/75
31	Packaging & Paper (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	600.51	739.48 16/7/87	427.56 10/11/87	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3497.30	5070.66 5/10/87	2713.49 2/1/87	5070.66 5/10/87	55.08 6/1/75
34	Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1015.34	1160.58 29/7/87	749.46 3/12/87	1160.58 29/7/87	52.63 6/1/75
35	Textiles (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	672.29	914.52 2/10/87	515.17 30/11/87	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	971.91	1192.48 8/10/87	759.10 10/11/87	1192.48 8/10/87	58.63 6/1/75
41	Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1366.58	1795.57 17/7/87	870.35 4/12/87	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1248.10	1545.46 5/10/87	928.61 10/11/87	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1308.27	1547.01 8/10/87	975.19 10/11/87	1547.01 8/10/87	975.19 10/11/87
45	Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1968.37	2497.85 16/7/87	1535.32 9/11/87	2497.85 16/7/87	90.80 29/6/62
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	972.40	1274.14 9/6/87	813.40 7/12/87	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1303.43	1773.70 5/10/87	1039.40 10/11/87	1773.70 5/10/87	60.39 6/7/75
49	INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1054.61	1268.86 16/7/87	804.87 10/11/87	1268.86 16/7/87	59.01 13/12/74
51	Oil & Gas (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1786.82	2458.68 16/7/87	1487.60 2/12/87	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1109.27	1369.88 16/7/87	867.65 10/11/87	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (120)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	680.24	896.67 13/10/87	565.33 10/11/87	896.67 13/10/87	55.88 13/12/74
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	738.86	898.38 16/7/87	577.39 4/11/87	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	964.48	1285.72 9/10/87	821.55 9/11/87	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	537.18	787.58 13/10/87	448.44 1/12/87	787.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1192.34	1399.56 17/7/87	709.92 9/11/87	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	352.76	+2.9	–	4.04	–	0.02	342.91	341.40	340.83	377.44	547.59 12/10/87	306.65 10/12/87	547.59 12/10/87	31.21 7/1/75
69	Property (51)	1070.85	+0.6	5.13	2.88	24.92	0.99	1063.14	1062.95	1053.98	872.38	1374.86 16/7/87	805.82 5/1/87	1374.86 16/7/87	56.01 20/4/65
70	Other Financial (30)	400.86	+1.3	9.58	4.26	13.28	1.43	395.02	388.89	386.84	436.83	603.48 16/7/87	339.79 1/12/87	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (83)	886.62	+0.5	–	2.92	–	2.02	882.40	879.99	872.28	972.25	1207.98 5/10/87	726.15 10/11/87	1207.98 5/10/87	71.12 13/12/74
81	Mining Finance (2)	447.97	+2.4	10.15	3.84	11.10	0.00	437.65	426.59	426.19	386.78	727.93 3/8/87	336.91 10/11/87	727.93 3/8/87	66.31 30/9/74
91	Overseas Traders (8)	1046.76	+0.5	9.79	5.16	12.10	14.64	1041.17	1037.93	1032.26	896.87	1364.12 13/10/87	778.26 2/1/87	1364.12 13/10/87	97.37 6/1/75
99	ALL-SHARE INDEX (715)	939.34	+1.1	–	4.10	–	3.11	928.76	925.98	914.24	993.38	1238.57 16/7/87	784.81 10/11/87	1238.57 16/7/87	61.92 13/12/74
		Index No.	Day's Change	Day's High	Day's Low	Mar 3	Mar 2	Mar 1	Feb 29	Feb 26	Year ago				
	FT-SE 100 SHARE INDEX ‡	1834.5	+21.2	1846.6	1813.4	1813.3	1808.7	1781.9	1768.8	1766.5	1998.2	2443.4 16/7/87	1565.2 9/11/87	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Mar 4	Day's change %	Thu Mar 3	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.24	+0.04	123.20	–	2.04
2	5-15 years	141.43	–0.19	141.70	–	2.14
3	Over 15 years	150.67	–0.35	151.20	–	2.46
4	Irredeemables	167.75	–0.26	168.19	–	1.54
5	All stocks	137.94	–0.14	138.14	–	2.14
	Index-Linked					
6	5 years	124.62		124.62	–	0.51
7	Over 5 years	117.10	–0.10	117.21	–	0.67
8	All stocks	117.55	–0.09	117.65	–	0.66
9	Debentures & Loans	119.74	–0.14	119.91	–	1.56
10	Preference	87.69	–1.18	88.74	–	0.53

	AVERAGE GROSS REDEMPTION YIELDS		Fri Mar 4	Thu Mar 3	Year ago (approx.)	1987/88 High	1987/88 Low
	British Government						
1	Low Coupons	5 years	8.72	8.69	8.34	9.92 19/10/87	7.52 11/5/87
2		15 years	9.10	9.04	9.11	10.27 19/10/87	8.53 8/5/87
3		25 years	9.01	8.96	9.12	10.08 2/1/87	8.55 8/5/87
4	Medium Coupons	5 years	9.25	9.22	9.33	10.80 2/1/87	8.39 8/5/87
5		15 years	9.31	9.25	9.31	10.51 19/10/87	8.74 8/5/87
6		25 years	9.20	9.15	9.31	10.24 19/10/87	8.75 8/5/87
7	High Coupons	5 years	9.33	9.31	9.42	10.84 2/1/87	8.58 8/5/87
8		15 years	9.45	9.40	9.46	10.67 19/10/87	8.86 8/5/87
9		25 years	9.24	9.17	9.29	10.31 19/10/87	8.72 8/5/87
10	Irredeemables†		9.06	9.02	9.06	10.30 19/10/87	8.41 9/11/87
	Index-Linked						
11	Inflation rate 5%	5yrs.	2.43	2.41	2.61	4.03 19/10/87	2.03 20/5/87
12	Inflation rate 5%	Over 5 yrs.	3.84	3.83	3.39	4.63 19/10/87	3.30 6/4/87
13	Inflation rate 10%	5 yrs.	1.48	1.44	0.99	4.14 19/10/87	0.85 24/3/87
14	Inflation rate 10%	Over 5 yrs.	3.68	3.67	3.23	4.65 19/10/87	3.17 27/3/87
15	Debs & Loans	5 years	10.73	10.71	10.13	11.86 20/10/87	9.46 12/6/87
16		15 years	10.62	10.60	10.28	11.67 20/10/87	9.79 23/3/87
17		25 years	10.62	10.60	10.31	11.49 20/10/87	9.84 23/3/87
18	Preference†		10.60	10.47	11.09	11.83 2/1/87	10.85 22/6/87

‡Opening index 1813.4; 10 am 1824.1; 11 am 1832.7; Noon 1834.5; 1 pm 1838.4; 2 pm 1838.3; 3 pm 1840.1; 3.30 pm 1842.1; 4 pm 1839.7

CONSTITUENT CHANGES: GRA Group(29) has changed to Wembley. Berry Tst. (71) and General Consolidated(71) have been deleted.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p

Tim Dickson reports on the Belgian Finance Minister's view of a corporate battle

La Générale shows up need for takeover rules

NEW LEGISLATION to control corporate raiders, insider dealing and hostile takeover bids will have to be considered by the next Belgian Government, Mr Mark Eyskens, the Finance Minister, affirmed in Brussels yesterday.

The hectic, seven-week struggle for Société Générale de Belgique has highlighted the need for more harmonisation of takeover rules at a European level, he added.

In a wide-ranging interview on the implications of the battle for Belgium's most powerful business institution — it controls about a third of the country's economy — Mr Eyskens also indicated that while ministers favoured a negotiated settlement between the various shareholder "camps," the Government was unlikely to intervene.

"We could use our good offices and invite them to sit round a table," he explained. "But the technical details are very complex and I do not see how two or three ministers could help in finding an agreement.

"The various parties have invested a lot of money — perhaps BFr30bn to BFr50bn ($847.4m to $1.41bn) — so I think it has got to be up to them."

Mr Eyskens is one of the Belgian Government's most experienced figures, who served as prime minister for a brief period in 1981.

His comments may dampen recent speculation that an official initiative may be imminent to break the deadlock between Mr Carlo De Benedetti (who claims more than 47 per cent of La Générale's shares) and the rival Franco-Belgian group, headed by Compagnie Financière de Suez, the Paris financial group (which claims a controlling 52 per cent).

THE BELGIAN Banking Commission last night gave the go-ahead for Cerus, the Paris-based financial holding company of Mr Carlo De Benedetti, to extend its bid for 7 per cent of Société Générale de Belgique until March 18 at the same price of BFr8,000 ($225.9) a share, Tim Dickson writes.

Mr De Benedetti claims he and his "followers" — whose identity Cerus says will be revealed tomorrow — already control more than 47 per cent of La Générale's shares, while a rival camp of Franco-Belgian companies claims to have a controlling 52 per cent stake.

The results of the Cerus offer so far are not known, but it is thought to have been accepted in respect of about 1 per cent of the capital.

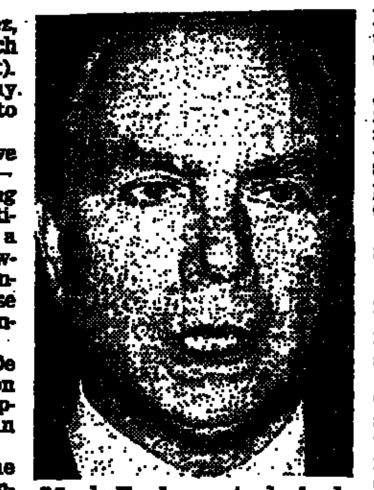
The minister said yesterday that the Government's role to date had been "very discreet."

This was partly because "we are a caretaker Government" — negotiations are still continuing between the major Belgian political parties on the formation of a permanent Government, following December's inconclusive general election — but also because "Belgium is a very liberal, non-protectionist country."

Mr Eyskens implied that Mr De Benedetti's spectacular raid on La Générale could not have happened in any other European country.

To illustrate his point, he referred to the French Government's recent intervention to delay the friendly takeover of Les Echos, the financial daily newspaper, by Pearson, the British diversified industrial group whose interests include the Financial Times; the powers of the Bank of England; the "often discouraging procedures" of the West German Federal Cartel Office; and the "most sophisticated" system of non-voting shares in the Netherlands.

"I am not saying that we should change our situation in a panic. I am saying that we need rules of fair play and I would like to see neighbouring countries lower their own level of protectionism so as to be compatible with the spirit of the internal market we are aiming to achieve by 1992."



Mark Eyskens: technical details very complex

Turning to Belgian national legislation, Mr Eyskens revealed yesterday that Mr René Lamy, governor (chief executive) of La Générale, had privately expressed to him as far back as late 1986 "acute worries" about the company's vulnerability to an unfriendly raider.

"This was what inspired us to publish an anti-raider bill to restore transparency to the market. It would have obliged a shareholder with more than 10 per cent of a company's capital to disclose its identity.

"There was a lot of discussion about this in parliament last April, but unfortunately we only got as far as article 4 out of a total of 13 articles when it was never voted. As a result, we are still unarmed."

Mr Eyskens added: "The next Government will have to make an inventory of what we lack in the legal field as far as raiders, insider trading and the definition of takeover bids are concerned."

The role of Belgium's Banking Commission (the body which oversees stock market activity) has been widely criticised during the course of the current bid battle.

Mr Eyskens said that he felt the commission "needs some more sanctions so that its authority is more credible." But he implied that he did not agree with ministerial colleagues who have been arguing for legal powers.

Moreover, in spite of the view of some commentators that the commission has been inconsistent in recent weeks, he stoutly defended its role as "courageous and objective."

This week's unexpected court judgment — which overturned on appeal a previous ban on La Générale's poison pill share issue — showed that "there is no contradiction between the Banking Commission and the courts."

As for the outcome of the current battle, Mr Eyskens said the Government was now openly advocating negotiations and that even though Mr De Benedetti and his recently acquired Belgian friends, Mr André Leysen and Mr Pierre Scohier, were in a minority, "that is a very important minority."

He added: "They have to reach an agreement, otherwise things will deteriorate. La Générale will fall into a situation of Balkanisation. It will be nonsense and disorder for the group's 1,200 subsidiaries."

Mr Eyskens called for a "balanced relationship" between the shareholders, expressed the personal view that it was "quite important for Belgium that Belgian shareholders and managers should play a sufficiently important role," and warned that "the social and political consequences of restructuring will still have to be taken into account."

Mr De Benedetti's experience and contribution, according to the minister, could be highly valuable in the context of European integration. He hoped that in a year's time, the current battle would appear to have been a good thing.

"Whatever happens, things will never be the same again."

Hong Kong rail group close to profitability

By David Dodwell in Hong Kong

HONG KONG'S Mass Transit Railway Corporation (MTRC) is to issue a seven-year, Y10bn Samurai bond in the Japanese public bond market — the first to be arranged there for a Hong Kong borrower.

Details of the bond, which will be lead managed and underwritten by Nomura Securities with Sanwa as lead commission bank, were released along with news that windfall earnings from the sale of development properties have taken MTRC close to profitability for the first time in its eight-year operating life.

Profit before interest and finance charges for 1987 amounted to HK$651m (US$83.4m), up 38 per cent from HK$472m in 1986.

However, the heavily indebted company carried interest and finance charges of HK$1.4bn — unchanged from 1986 — which left a net loss of HK$749m.

Property sales, mainly from the Kornhill development on the recently completed Island Line, generated earnings of HK$770m which, after adjustment for exchange shortfalls, trimmed losses to HK$78m. This compares with bottom-line losses of HK$470m in 1986, and HK$790m in 1985.

Mr Wilfrid Newton, MTRC chairman, claimed that in 1987 the corporation's 38.6km rapid transit system became the most densely used in the world, with 46,600 passengers carried per kilometre every weekday. Only Tokyo claims similar traffic volumes.

The system carried a total of 593m passengers during the year, up 11.5 per cent from 532m in 1986.

MTRC, which is Hong Kong's most heavily indebted company, trimmed its outstanding debt from HK$19.2bn at the end of 1986, to HK$18.2bn in December last year. Debt, is understood to have peaked in 1987 and, barring any large new investment, is expected to decline steadily into the 1990s.

This month the Government will inject HK$1bn in fresh equity into MTRC.

Campeau plans sale of Federated units to help finance bid

BY RODERICK ORAM IN NEW YORK

CAMPEAU, THE Canadian real estate and retailing group, has lined up another large chunk of financing for its Federated Department Stores bid by agreeing to sell two of Federated's divisions to a rival retailer for between $1.2bn and $1.5bn if it wins the hotly-contested battle.

May Department Stores, a St Louis-based group with annual sales of $10bn, said it would buy Federated's Filenes and Foley's department store chains, headquartered respectively in Boston and Houston.

Mr Robert Campeau, chairman of the Canadian group, said the disposal would "significantly reduce the amount of long-term debt that will be needed for the acquisition."

Campeau later said it had no plans to sell further Federated units.

Sources tapped earlier include a $1.7bn bridge loan from First Boston, Campeau's investment banker, loans from Mr Edward DeBartolo, a prominent US shopping centre developer, and $770m from Marks and Spencer of the UK which would buy Campeau's Brooks Brothers clothing retailer.

Bank of Montreal, Banque Paribas and Olympia & York of Toronto have also agreed to support the deal.

The focus of the battle is switching to the courts. Campeau is trying to strike down Federated's poison pill defence which might deter some banks from lending money to the bidder.

It is also trying to overturn Federated's agreement to pay up to $45m to R.H. Macy, the New York retailer, if their merger agreement signed earlier this week is aborted.

For its part, Federated is likely to challenge Campeau's latest offer on the grounds that it is a new rather than an amended bid.

If it is judged a new bid, the closing date would have to be extended beyond March 15. This would remove Campeau's timing advantage over the Macy's offer, which expires on April 4.

Assubel Life spurns offer from Groupe AG again

BY TIM DICKSON IN BRUSSELS

THE TEMPERATURE in Belgium's "other" bid battle was raised last night when the board of Assubel Life, the country's third largest insurer, again rejected the overtures of Groupe AG, the largest company in the sector.

At Christmas, AG, prompted by the announcement that Assurances Générales de France (AGF) wanted to take a 20 per cent stake in Assubel, launched its first offer at BFr6,000 ($169.4) a share.

This was subsequently increased to BFr7,200 and, by this week's closing date, had been accepted in respect of 36.4 per cent of Assubel's capital.

Under one of its articles of association, however, Assubel has again exercised its right to find alternative buyers for this stake. It said last night that the financial holding groups Cobepa and Groupe Bruxelles Lambert, as well as AGF and Mosane, were interested.

Assubel justified its decision on the grounds that it wanted to "maintain its autonomy and its specificity." A prolonged fight is expected by some observers.

SKW in C$125m ferrochrome plan

SKW Metallurgy of West Germany, in partnership with a Quebec government agency and Hydro Quebec, plans a C$125m ferrochrome plant at Becancourt near Montreal, the first of its kind in North America, writes Robert Gibbens.

SKW may seek another European partner, but feasibility studies have been completed and indicate a go-ahead is justified.

DFDS boosts net earnings

By Hilary Barnes in Copenhagen

DFDS, THE Danish shipping group, reported net profits of DKr70m ($10.8m) last year, compared with DKr6m in 1986. However, the latest figures included DKr34m in extraordinary income, compared with extraordinary costs of DKr27m in 1986.

Mr Niels Bach, chief executive, said it might be possible to pay a dividend next year for the first time since 1982.

Group sales last year climbed from DKr3.3bn to DKr3.5bn, the first increase for five years.

Khoo sells Southern Pacific hotel chain

BY CHRIS SHERWELL IN SYDNEY

TAN SRI Khoo Teck Puat, the Malaysian entrepreneur currently wanted by the authorities in Brunei, has sold his Southern Pacific Hotel Corporation chain for A$540m (US$392m) to a Hong Kong-based businessman.

The disposal, revealed yesterday, is thought to be Australia's largest-ever real estate transaction and will help Tan Sri Khoo meet the financial demands of the Brunei Government, which closed down the National Bank of Brunei — founded by Tan Sri Khoo — in 1986.

A Brunei court recently convicted the bank's managers, including Tan Sri Khoo's son, of irregularities in its lending and handed down severe prison sentences. Tan Sri Khoo's present whereabouts are unknown.

The purchaser of the hotel chain is Mr Adrian Zecha, one of some 40 parties to express interest. The deal, which is still subject to contract, gives him about 44 hotels in Australia, New Zealand, Fiji and Tahiti.

Mr Tony Young, chief executive of Southern Pacific in Australia, said yesterday that the group had been put on the market by Colliers International Hotel and Leisure, a consulting firm.

But he acknowledged that Tan Sri Khoo had the final decision on the price agreed with Mr Zecha. He refused comment on the Brunei Government's claims to ownership of the group's shares.

Mr Zecha is an experienced hotel operator who was, until recently, connected with the Regent International group. He has other property and investment interests.

Tan Sri Khoo owns the Goodwood Park, Boulevard and other hotels in Singapore, and at one stage sold the Holiday Inn there to the Sultan of Brunei.

The Southern Pacific group owns, manages or leases hotels with more than 6,000 rooms in the region.

Prior to his problems with the Brunei Government, Tan Sri Khoo was widely regarded as a masterful player on the world's stock markets.

WORLD COMMODITIES PRICES

Week in the Markets

THE SIGN of the bear was in the ascendancy in most commodity markets this week. Crude oil prices continued to sag under the weight of heavy stocks; lack of confidence in price support operations weighed down cocoa; robusta coffee retreated from the possibility of an increase in International Coffee Organisation export quotas; and on the London Metal exchange aluminium prices shed some of their recent gains.

Nickel was a striking exception, however, as the three months LME position caught up with last week's dramatic cash gains.

Having fallen below $15 a barrel last week the 15-day Brent oil market came under further pressure, reflecting flagging confidence in the ability of the Organisation of Petroleum Exporting Countries to respond to depressed market circumstances.

Although Opec members are just about holding the line on their self-imposed 15m-barrels-a-day production ceiling, the market is continuing to suffer from the stocks hangover caused by last year's sustained overproduction and the exceptionally mild European winter.

Discounting against Opec's $18-a-barrel base price has been undermining the price structure for some time and this trend took a new twist this week when Arab Oil was reported to be offering discounts to Japanese buyers.

The Japanese had been largely excluded from the cut-price offers believed to have been made to the US equity partners of Aramco, the US-Saudi joint venture company, and the Arab Oil offer has raised the possibility of a fresh round of competitive discounting as Opec nations fight to protect their market shares.

Another bearish factor this week has been the funneling back onto the market of the 42 cargoes bought last month when a single trader cornered the Brent market.

The net result of all this has been a spot market fall to a 16-month low of about $13.80 a barrel. The March delivery position rallied yesterday to close at $13.975 a barrel but that was still 75 cents down on the week.

The May cocoa futures price followed up last week's fall of £57 a tonne with a further decline of £12 to £998 a tonne, as producing and consuming countries struggled to reach agreement on further support measures. Delegates left the International Cocoa Organisation talks in London for the weekend in an atmosphere of deepening gloom.

The talks have been overshadowed by a lack of cash to finance further intervention — the Ivory Coast, the world's biggest producer, and Brazil together owe the organisation up to $40m.

On the London coffee futures market prices extended last week's retreat as traders continued to shy away from the possibility that one of this year's 1.5m bags (60 kg each) International Coffee Organistaion might be restored.

The trigger for restoration is 125 cents a lb — based on the 15-day average of the ICO indicator price. As the lower prices of early February had dropped out of the calculation the average had risen to end last week within 3.5 cents of the trigger level. But its advance was halted by this week's continued price decline, which saw the May futures position in London fall £48 to £1,210 a tonne.

Nickel was again the star turn on the London Metal Exchange, but this time it was the three months position which made the pace.

As the exceptional short term supply tightness faded the spotlight switched back to the fundamental imbalance between supply and demand — caused by various production problems and the continuing high level of demand for stainless steel production.

This was reflected in a $1,487.50 rise on the week, in the three months position, narrowing the premium for cash metal — which rose a relatively modest $650 - from $2,875 to $2,022.50 a tonne.

The nickel upsurge appeared to have run out of steam on Thursday, when the cash position fell $250 and the three months $580. But those setbacks were followed yesterday by rises of $500 and $437.50 respectively.

Aluminium prices lost some of last month's gains with the cash price for 99.7 per cent metal falling $145 to $2,220 a tonne. The fall, which dealers said was fuelled by chart-inspired selling, took aluminium prices back below copper's.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1987/88	Low 1987/88
Gold per troy oz.	$436.25	+4.25	$407.00	$499.50	$390.25
Silver per troy oz	354.55p	+3.85	348.95p	653.60p	344.40p
Aluminium 99.7% (cash)	$2230	-115	£1495		
Copper Grade A (cash)	£1261.50	+54.00	£899.50	£1707.50	£870.25
Lead(cash)	£360.50	-10.00	£307.50	£445.00	£288.75
Nickel (cash)	$11750	+250	£2400	$11750.00	$3424.50
Zinc (cash)	£517.50	+14.00	£460.50	£567.00	£441.50
Tin (cash)	£3865	-2.50	£4355.00	£4625	£3750
Cocoa Futures (May)	£998	-12	£1302.50	£1439.50	£998.00
Coffee Futures (May)	£1210	-48	£1292.00	£1655.50	£1187.00
Sugar (LDP Raw)	$216.00	+11.40	$201.50	$265.40	$139.50
Barley Futures (May)	£105.75	-0.95	£115.05	£118.55	£95.30
Wheat Futures (May)	£107.55	-0.35	£118.65	£125.50	£98.75
Cotton Outlook A Index	66.60c	+0.25	63.45c	87.80c	62.65c
Wool (64s Super)	578p		431p	580p	418p
Rubber (Spot)	63.75p	+0.50	60.00p	71.50c	59.50c
Oil (Brent Blend)	$13.975z	-0.95	$17.45	$20.725	$13.975

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents/lb w-Mar/Apr, z-Mar.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.43-3.50y	-0.165
Brent Blend	$13.90-4.05z	-0.10
W.T.I.(1 pm est)	$15.60-5.65y	-0.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-170	-2.5
Gas Oil (Soviet)	$127-129	-1.5
Heavy Fuel Oil	$64-66	+0.5
Naphtha	$139-141	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$436.25	+8.25
Silver (per troy oz)♣	647c	+27.00
Platinum (per troy oz)	$475.25	+5.25
Palladium (per troy oz)	$119 50	+1.00
Aluminium (free market)	$2230	-20
Copper (US Producer)	103⅝-107c	+3.00
Lead (US Producer)	35.50c	
Nickel (free market)	540c	-15
Tin (European free market)	£3885	
Tin (Kuala Lumpur market)	17.40r	-0.10
Tin (New York)	318.50c	-1.00
Zinc (Euro. Prod. Price)	$905	
Zinc (US Prime Western)	44.225c	-0.15
Cattle (live weight)†	109.47p	+2.11*
Sheep (dead weight)†	185.25p	+29.99*
Pigs (live weight)†	67.38p	+0.92*
London daily sugar (raw)	$216.00x	-3.20
London daily sugar (white)	$229.50x	-2.20
Tate and Lyle export price	£229.00	-2.00
Barley (English feed)	£107.50	
Maize (US No 3 yellow)	£135.00	-0.50
Wheat (US Dark Northern)	£94.00s	
Rubber (spot)♥	63.75p	
Rubber (Apr) ♥	68 00p	
Rubber (May) ♥	67.75p	
Rubber (KL RSS No 1 Mar)	285.00my	
Coconut oil (Philippines)§	$535.00x	+2.50
Palm Oil (Malaysian)§	$385 00u	
Copra (Philippines)§	$365.00x	
Soyabeans (US)	£156.50x	-1.50
Cotton "A" index	66.60c	
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/Sep. x-Mar/Apr. y-Apr t-Apr/Jun. s-Jun.† Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	977	967	977	961
May	998	987	1002	984
Jly	1019	1008	1023	1004
Sep	1038	1028	1040	1024
Dec	1066	1056	1067	1051
Mar	1093	1084	1094	1080
May	1113	1104	1113	1100

Turnover:5318 (4275) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 4 : 1264.34 (1248.18) .10 day average for March 7 : 1283.09 (1291.14).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1177	1196	1189	1180
May	1210	1221	1220	1209
Jly	1235	1245	1245	1234
Sep	1259	1270	1268	1257
Nov	1285	1296	1283	1283

Turnover: 3020 (2974) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 3: Comp. daily 1979 119.15 (118.99); 15 day average 121.73 (121.78).

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	105.20	105.00	105.25	105.20
May	107.55	107.50	107.75	107.55
Jly	110.20	110.15	110.35	110.20
Sep	101.25	100.90	101.25	101.00
Nov	103.30	102.80	103.30	103.00
Jan	105.40	105.10	105.40	105.25

Barley	Close	Previous	High/Low	
Mar	103.50	103.15	103.50	
May	105.75	105.85	105.85	105.75
Sep	98.10	97.70	98.15	97.80
Nov	100.60	100.25	100.60	100.40
Jan	102.65	102.25	102.65	
Mar	104.75	104.60	104.75	

Turnover: Wheat 94 (80) . Barley 49 (8) lots of 100 tonnes.

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	126.50	127.25	126.50	124.50
Apr	125.00	125.75	125.50	123.00
May	123.75	125.75	125.00	122.75
Jun	125.25	127.00	126.00	124.25
Jul	124.75	127.00	126.00	124.50
Aug	125.50		125.50	125.25

Turnover: 5954 (4696) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2210-30	2215-35		2225-35		
3 months	2085-105	2080-90		2080-85	2110-30	3,305 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 30,425 tonne
Cash	1254-6	1252-4	1255/1253	1253-4		
3 months	1171-2	1169-8.5	1180/1167	1171-2	1180-1	47,381 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,475 tonne
Cash	1265-7	1259-61	1262/1260	1261-2		
3 months	1195-5.5	1186-8	1199/1180	1187-8	1181-3	69,516 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1215-25	1215-25		1210-30		
3 months	1165-75	1160-70		1160-70		29 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	645-8	615-7		625-8		
3 months	655-8	625-7		635-8	650-60	630 lots
Lead (£ per tonne)						Ring turnover lots10,8tonne
Cash	357-8	359-61		360-1		
3 months	338.5-9	339-40	340/338	339-40	338-9	10,640 lots
Nickel ($ per tonne)						Ring turnover 2,256 tonne
Cash	12100-200	11500-800	11700	11700-800		
3 months	10100-25	9650-700	10140/9875	9970-90	10100-25	9,401 lots
Zinc (£ per tonne)						Ring turnover 12,490 tonne
Cash	522-4	508.5-9.5		517-8		
3 months	523-3.5	512.5-3	524/518	518-9	522-3	12,148 lots

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1900	272	227	53	153
2050	179	161	107	235
2200	110	111	187	330
Aluminium (99.5%)	**Calls**		**Puts**	
1850	305	241	36	102
2000	202	165	82	173
2150	125	109	159	263
Copper (Grade A)	**Calls**		**Puts**	
1900	278	243	67	110
2050	189	169	125	181
2200	121	112	207	272

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	180.20	181.60	190.80	181.80
Aug	187.20	181.60	189.20	183.00
Oct	187.00	181.60	190.00	183.00
Dec	190.00	180.40		
Mar	189.20	182.60	190.40	186.60
May	191.00	184.80		

White	Close	Previous	High/Low	
May	230.50	225.50	232.00	225.50
Aug	230.50	225.50	231.50	227.50
Oct	230.50	226.00	231.00	226.00
Dec	230.50	225.50	230.50	226.00
Mar	232.00	228.50	232.00	228.60
May	234.00	227.50		

Turnover: Raw 3160 (2836) lots of 50 tonnes; White 3824 (740) .
Paris- White (FFr per tonne): May 1316, Aug 1328, Oct 1326, Dec 1318, Mar 1340, May 1360

POTATOES £/tonne

	Close	Previous	High/Low	
Mar	79.80	78.50		
Apr	139.80	139.50	140.30	139.50
May	154.60	154.60	155.40	154.50
Nov	93.60	93.50	93.90	
Feb	101.50	104.00	103.00	
Apr	139.00	140.20	140.00	138.50

Turnover: 338 (401) lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	436-436½	246¼-246¾
Opening	428¼-428¾	243-242½
Morning fix	430.75	243.114
Afternoon fix	431.80	243.845
Day's high	437¼-438¾	
Day's low	428-428½	
Coins	**$ price**	**£ equivalent**
US Eagle	449-454	253-256
Mapleleaf	449-454	253-256
Britannia	449-454	253-256
Krugerrand	435-438	245¼-247¾
1/2 Krug	223-232	125¾-130¾
1/4 Krug	112-120	63¼-67¾
Angel	444-449	250¼-253
1/10 Angel	45-50	25¼-28¼
New Sov.	102½-103½	57¾-58½
Old Sov.	102½-104	57¾-58¾
Noble Plat	480¾-487	271½-275¾

Silver fix	p/fine oz	US cts equiv
Spot	354.55	626.65
3 months	362.50	637.05
6 months	370.95	647.80
12 months	388.85	671.75

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	130.60	131.30	
Jun	126.50	127.50	
Aug	125.50	126.50	
Oct	126.80	127.50	
Dec	130.00	131.50	

Turnover: (123) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1601.0	1581.0	1605.0	1585.0
Jly	1437.0	1421.0	1440.0	1425.0
Oct	1446.5	1435.0	1450.0	1445.0
Jan	1435.0	1410.0	1435.0	1427.0
BFI	1569.5	1564.0	1569.5	

Turnover: 581 (321)

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	437.4	427.7	0	0
Apr	438.8	429.1	440.5	431.2
Jun	443.2	433.2	445.0	435.0
Aug	447.6	437.4	448.0	439.0
Oct	452.2	441.8	451.5	445.4
Dec	456.9	446.3	458.0	447.5
Feb	461.6	450.8	0	0
Apr	466.5	455.6	467.0	466.0
Jun	471.6	460.4	463.5	463.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	476.1	467.1	480.0	469.0
Jul	481.4	470.5	483.5	473.5
Oct	486.0	474.6	486.0	477.0
Jan	491.5	480.1	490.0	480.0
Apr	497.0	485.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	642.7	626.4	653.0	630.0
Apr	646.1	629.6	647.0	642.5
May	650.0	633.5	658.5	635.0
Jul	658.2	641.5	667.0	642.0
Sep	666.1	649.2	671.0	661.0
Dec	679.0	661.9	688.5	664.0
Jan	682.8	665.6	0	0
Mar	691.6	674.5	694.0	692.0
May	700.8	683.3	0	0
Jul	710.1	692.8	705.0	705.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	101.00	98.00	101.50	97.50
Apr	98.50	95.50	0	0
May	93.20	91.15	93.80	90.30
Jul	87.70	86.15	88.30	85.50
Sep	85.40	84.15	85.50	83.90
Dec	83.60	82.65	83.20	82.60
Jan	83.20	82.35	0	0
Mar	82.50	81.75	81.85	81.85

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	15.70	15.50	15.74	15.39
May	15.64	15.42	15.67	15.30
Jun	15.60	15.38	15.63	15.26
Jul	15.55	15.34	15.58	15.23
Aug	15.53	15.31	15.54	15.21
Sep	15.50	15.28	15.51	15.18
Oct	15.45	15.25	15.45	15.34
Dec	15.45	15.19	15.45	15.25
Jan	15.50	15.16	15.60	15.25

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	43.80	42.89	43.95	42.80
May	42.25	41.45	42.35	41.20
Jun	41.50	40.78	41.60	40.65
Jul	41.45	40.61	41.45	40.40
Aug	41.90	41.08	41.95	41.55
Sep	42.55	41.76	42.65	42.55
Oct	43.00	42.41	43.00	43.00
Nov	43.90	43.11	44.00	43.90
Dec	44.40	43.81	44.40	43.90

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 3	Mar 2	mnth ago	yr ago
1739.8	1748.5	1721.6	1554.5

DOW JONES (Base: December 31 1974 = 100)

Spot	127.09	127.31	128.38	113.96
Futures	130.46	131.16	131.91	113.59

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1583	1555	1584	1575
May	1620	1591	1621	1607
Jul	1650	1622	1652	1638
Sep	1686	1659	1686	1672
Dec	1718	1690	1720	1708
Mar	1751	1723	0	0
May	1776	1748	0	0
Jul	1801	1773	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	133.55	134.00	134.45	133.50
May	135.49	135.97	136.60	135.40
Jul	137.50	137.86	136.70	137.40
Sep	139.23	139.60	140.00	139.20
Dec	141.75	142.00	142.50	141.75
Mar	142.25	142.50	143.00	143.00
May	142.25	142.80	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.43	8.13	8.53	8.20
Jul	8.36	8.10	8.45	8.19
Oct	8.34	8.10	8.45	8.18
Jan	8.31	8.08	0	0
Mar	8.35	8.15	8.45	8.28
May	8.48	8.29	8.54	8.40
Jul	8.45	8.34	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	61.36	61.20	61.55	61.19
May	62.21	61.82	62.60	61.65
Jul	61.57	61.15	61.75	61.10
Oct	59.45	59.01	59.55	59.15
Dec	58.00	57.75	58.28	57.86

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	167.55	168.20	169.75	167.20
May	160.55	162.90	164.40	160.00
Jul	157.50	159.10	160.50	156.75
Sep	156.10	157.00	158.00	155.50
Nov	154.50	155.05	155.75	153.60
Jan	152.00	152.45	155.00	154.00
Mar	152.00	152.45	0	0
May	152.00	152.45	0	0
Jul	152.00	152.45	0	0

Chicago

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	199/2	200/6	201/0	198/4
May	205/2	206/4	207/2	204/4
Jul	208/6	210/4	211/0	208/0
Sep	210/4	212/4	213/0	210/0
Dec	214/0	216/4	216/6	213/4
Mar	221/6	223/4	223/4	220/0
May	225/0	227/0	227/0	225/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	303/2	304/2	307/4	301/4
May	312/6	312/4	317/0	310/4
Jul	316/6	317/4	320/4	315/4
Sep	323/4	323/0	326/2	322/2
Dec	334/6	334/0	338/4	333/0
Mar	339/0	339/0	340/0	338/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	70.22	70.62	70.80	70.00
Jun	67.67	67.80	68.15	67.37
Aug	65.80	65.77	66.12	65.40
Oct	64.60	64.47	65.00	64.25
Dec	65.55	65.45	66.00	65.20
Feb	65.20	65.80	65.75	65.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	186.3	188.8	189.0	186.1
May	184.3	187.1	187.0	184.1
Jul	183.8	187.1	186.8	183.6
Aug	184.5	187.7	187.5	184.0
Sep	184.5	188.0	188.0	184.5
Oct	185.7	189.7	189.0	185.5
Dec	188.0	192.0	191.0	188.0
Jan	189.5	193.2	189.0	190.0
Mar	192.5	195.2	192.0	193.0

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	615/0	623/0	621/4	614/0
May	619/4	629/0	628/0	616/0
Jul	628/4	637/6	637/0	626/0
Aug	630/2	640/4	638/0	630/0
Sep	629/4	641/4	638/0	629/0
Nov	640/4	648/4	647/4	640/0
Jan	646/0	657/0	655/0	646/0
Mar	656/4	663/4	0	0
May	661/0	667/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.20	20.60	20.52	20.13
May	20.51	20.90	20.89	20.50
Jul	20.83	21.24	21.21	20.82
Aug	20.98	21.35	21.30	20.95
Sep	21.00	21.42	21.40	21.00
Oct	21.17	21.48	21.48	21.15
Dec	21.30	21.61	21.65	21.30
Jan	21.31	21.65	21.50	21.31
Mar	21.40	21.80	21.80	21.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	42.40	42.45	42.75	42.32
Jun	46.55	46.52	47.00	46.40
Jul	46.62	46.60	46.95	46.45
Aug	44.97	44.95	45.50	44.95
Oct	41.80	41.90	42.25	41.80
Dec	42.30	42.25	42.55	42.25
Feb	42.40	42.45	42.47	42.15

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	52.85	52.25	53.30	52.30
May	54.20	53.55	54.65	53.55
Jul	54.55	53.87	54.97	54.00
Aug	53.25	52.60	53.70	52.75
Feb	56.60	55.60	56.40	55.80
Mar	55.15	55.15	55.25	0

Wall Street

Interest rate fears drag prices down

In early afternoon trading Wall Street stocks remained lower after trimming the session's sharpest losses. Investors were concerned that the unexpected strength in the Government's February employment data would lead to higher interest rates.

The Dow industrial average was off 17.57 to 2,045.92 at 1pm. Losing issues led advancing ones by a two-to-one ratio.

"Bonds are weaker and the interest rate-sensitive utility average has been going down for five weeks," said Mr Al Goldman of A.G. Edwards and Sons. "I think we're going lower."

Issues traded over-the-counter and on the American Stock Exchange joined the retreat.

Canada

Energy and gold issues lent support to the Toronto market as stocks settled after early advances. The composite index was up 5.1 to 3,231.2 at mid-day as advances outpaced declines by 371 to 244 on heavy volume of 14.7m shares.

Golds led the advance. Placer Dome rose C$½ to C$15½, Lac Minerals gained C$⅜ to C$12⅜ and Echo Bay Mines was up C$¾ to C$26.

Energy issues were also strong. Poco Petroleums, which announced a first quarter loss of C$500,000 compared with a profit of C$2.1m for the same period the previous year, rose C$1⅛ to C$11⅝. Asamera, which faces a takeover bid by Gulf Canada, was unchanged at C$11¾. Shell Canada rose C$⅛ to C$38½.

Among most actives, Canadian Pacific lost C$¼ to C$23¼ and Transalta lost C$⅛ to C$14⅜.

North American closing prices were not available for reports in this edition

Tokyo

Aggressive trading of large capitals led to strong activity in Tokyo with share prices closing slightly higher.

The Nikkei index firmed 18.13 points, or 0.07 per cent, to 25,615.62, after falling 86.51 points on Thursday. The volume was 1.3bn shares, which means the daily volume has exceeded 1bn for four consecutive sessions.

Pharmaceuticals, rubber, rolling stock, steel, gas, airline, electronic and food shares rose.

Securities house, non-life insurance, communications, railway/bus, warehouse and property issues fell.

The top 10 traded stocks were primarily steel and heavy machinery shares. These made up 58.8 per cent of the morning's turnover of 520m shares. Both large capital and smaller capital steel issues did well because increased public spending is expected to increase demand for steel.

Nisshin Steel gained Y34 to Y769, Nippon Steel Y13 to Y445 and Kawasaki Steel Y6 to Y386. Smaller Yodogawa Steel advanced Y40 to Y1,290, while Tokyo Steel was the subject of afternoon profit-taking and closed unchanged at Y3,490.

Domestic demand-related issues were mixed, with Tokyo Gas rising Y30 to Y1,200 and Tokyo Electric Power up Y20 to Y6,100, while Kajima Construction shed Y30 to Y1,600.

Ishikawajima-Harima Heavy Industries rose Y12 to Y780, while Onoda Cement shed Y10 to close at Y789. Both have seen much activity recently because of their connection with the Tokyo Bay redevelopment project.

Consumer demand-related electronic shares were strong in the morning due to increased consumer spending, but profit-taking caused Kenwood to close unchanged at Y779 and Pioneer to fall Y30 to Y3,220.

NTT continued to climb, rising Y20,000 to Y2.47m, after temporarily hitting the Y2.5m mark in morning trade.

Frankfurt

Leading German shares closed mostly below the day before's finish after a quiet, pre-weekend session.

The Commerzbank 30-share index fell to 1,388.7 from 1,397.6, and the Boersen-Zeitung 30-share index ended at 290.68 from 292.18.

Share prices failed to respond to the news that incoming orders for manufacturing industry rose 3.8 per cent in January after falling 2.8 per cent in December.

Deutsche Bank fell DM5.70 to DM426.80, insurer Allianz eased DM3.00 to DM1,386, Siemens shed DM5 to DM377.50, and Hoechst eased DM1.50 to DM253.50.

Daimler fell DM4.30 to DM694, but Porsche preference shares rose DM12 to DM477.

Fashion designer Hugo Boss rose DM30 marks to DM1,880 on speculation of a bonus share issue.

Zurich

Low turnover saw Swiss shares close slightly lower across the board as the previous day's gains were pared after profit-taking and investors squared their positions before the weekend.

The all share Swiss index was 6.2 lower at 850.

In the industrial sector, shares of engineering company Adolph Saurer rose after the company said it was preparing a statement on a merger. Saurer bearers climbed SFr14 to SFr395.

Quality control company Inspectorate closed unchanged at SFr2,160 after several days of price rises. After the market closed, the company announced it had more than doubled its net profit in 1987.

The shares of consumer electronics retailer Interdiscount rose SFr25 to SFr3,700 after it announced increased 1987 net profit.

Amsterdam

A lacklustre session led to Dutch share prices closing lower with activity restrained by the pre-weekend lull.

The CBS all-share index closed 0.1 lower at 80.3. Turnover was Fl 205m, down from Fl 309m.

Brewer Heineken closed Fl 1 lower at Fl 126. After the session, it announced as expected a barely changed 1987 net profit of Fl 286.7m compared with Fl 285.3m in 1986 and an unchanged dividend of Fl 3.50.

Royal Dutch closed Fl 1.50 lower at Fl 213. The company reported an unchanged dividend of Fl 12.80 on Thursday after a rise in 1987 net profits.

Blue chip Unilever closed Fl 0.40 higher at Fl 115.50 after recovering from a day's low of Fl 114.60. Earlier this week it announced a 16 per cent rise in 1987 pre-tax profit.

Australia

Investors in Sydney concentrated on leading industrial stocks as the market ended firmer.

The All Ordinaries index advanced 5.1 to 1,298.5 and the All Industrials index rose 6.1 to 2,115.5. The All Resources index was up 3.8 points at 684.1 and the gold index gained 6.1 to 1,535.6. National turnover was 101.46m shares worth A$157.43m.

Demand for interest rate-sensitive industrial stocks was still high, influenced by a strong Australian dollar.

The banking sector improved during trading, with ANZ gaining 1 cent to A$3.94 and Westpac 4 cents to A$5.38, while NAB was steady at A$4.93.

Cumberland Credit was up 3 cents at 90 cents after news of FAI Insurances' 90-cents-a-share on-market offer. FAI was steady at A$4.50.

Cadbury Schweppes gained 4 cents to A$2.50 after posting a 29 per cent increase in net profit to A$44.60m.

Hong Kong

Light bargain-hunting in the afternoon pushed share prices up as the Hang Seng index rose 3.9 to 2,472.38 after falling nearly 20 points earlier.

Turnover was HK$779.46m against HK$865.35m on Thursday.

Properties were depressed by profit-taking but most other stocks were higher. New World and Sun Hung Kai Properties each shed 10 cents to HK$8.40 and HK$9.40, Cheung Kong fell 5 cents to HK$7.20, but Wharf climbed 5 cents against the trend to HK$6.50.

Hk Aircraft Engineering was unchanged at HK$10.40; its 1987 results were due to be announced late in the day. Wing Lung rose HK$2.25 to HK$42 after reporting a 15 per cent rise in its 1987 profit to HK$140m and a one-for-two bonus issue.

Singapore

After a firm opening, the stock market closed mixed because of a lack of follow-through buying support and bouts of profit-taking in fairly active trading.

Prices generally firmed at the outset on expectations of a favourable Singapore Budget, but some cautious investors moved in towards mid-day to take profits. Interest centred on blue chips and quality stocks.

NEW YORK (3 pm)

AUSTRIA

March 4	Sch %	+ or −
Creditanstalt	1,930	+20
Goesser	2,880	+30
Interunfall	9,720	−20
Jungbunzlauer	5,700	−30
Laenderbank	350	+3
Perlmooser	640	—
Steyr-Daimler	101	—
Veitscher Mag	610	−3

BELGIUM/LUXEMBOURG

FRANCE

GERMANY (continued)

NETHERLANDS (continued)

March 4	Fls.	+ or −
Ned Mid Bank	150.00	+1.5
Nedlloyd	197.50	+4.5
Oce Grinten	193.00	−17
Ommeren (Van)	24.20	+0.7
Pakhoed	75.50	−0.3
Philips	27.30	−0.1
Robeco	90.90	−0.3
Rodamco	147.50	+0.1
Rolinco	83.40	+0.2
Rorento	55.80	+0.1
Royal Dutch	213.00	−1.5

SWEDEN (continued)

March 4	Kronor	+ or −
Skan Enskilda	139	—
SKF	246	+1
St Kopparbergs	389	+9
Svka Cellulosa	333	+8
Svka Handelsbn	109	+1
Swedish Match	110	−3
Volvo B (Free)	330	—

SWITZERLAND

INDICES

FOREIGN EXCHANGES

Sterling held below DM3.0

UPWARD PRESSURE on sterling was held in check by further Bank of England intervention yesterday. Trading on a typical Friday afternoon is generally seen to be thin and erratic, and the authorities were taking no chances of sterling being pushed through the DM3.0 level.

Consequently intervention took place before lunch in the open market, in order to achieve maximum effect. The Bank's efforts were successful, and as one dealer pointed out, the trading volume was not sufficient to overcome the Bank's determination.

The pound closed at DM2.9975 down from DM3.00 on Thursday and SFr2.4825 compared with SFr2.4875. However it was higher against the dollar at $1.7740 from $1.7680 and FFr10.1425 from FFr10.1250, but was unchanged against the yen at Y228.50. Its exchange rate index was the same as the opening and Thursday's close at 74.8.

The dollar failed to break out of its recent trading range, even though US non-farm payroll employment rose by 531,000 in February, well above most expectations. The unemployment rate fell to 5.7 p.c. from 5.8 p.c.

Normally such a rise would have been supportive for the dollar, because with an expanding economy, the authorities would not need to lower interest rates to stimulate growth. Lower rates would reduce the dollar's attraction to overseas investors.

However the market's current obsession with US trade figures resulted in a different interpretation being placed on the figures. Traders saw a danger that stronger growth could lead to increased consumer demand, which could suck in more imports.

The dollar closed at DM1.6895 from DM1.6965 and Y128.75 compared with Y129.20. Elsewhere it finished at SFr1.3990 from SFr1.4065 and FFr5.7175 against FFr5.7375. On Bank of England figures, the dollar's exchange rate index fell from 94.6 to 94.5.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.1 against 147.2 six months ago.

Initial reaction to US unemployment figures was muted in Frankfurt. Most traders had already decided to square positions ahead of the weekend.

The dollar closed at DM1.6940 from DM1.6955 on Thursday, having been confined to a very narrow range. US trade figures due for release later this month were still considered to be the key factor affecting market sentiment.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 229.5 against 223.7 six months ago.

Proximity of the weekend encouraged many short term investors to remain on the sidelines in Tokyo. The dollar was confined to a tight range, closing at Y129.20 compared with Y129.15 in New York.

£ IN NEW YORK

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

*All SDR rates are for Mar 3

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)

OTHER CURRENCIES

Mar.4	£	$
Hong Kong	13.8000-13.8170	7.7985-7.8005
Iran	120.00*	67.35*
Korea(Sth)	1341.45-1353.60	757.90-764.20
Kuwait	0.48900-0.48950	0.27630-0.27640
Luxembourg	62.55-62.65	35.25-35.35
Malaysia	4.5535-4.5635	2.5730-2.5760
Mexico	4034.90-4054.20	2280.00-2290.00
N Zealand	2.6625-2.6675	1.5040-1.5065
Saudi Ar.	6.6375-6.6430	3.7500-3.7510
Singapore	3.5660-3.5720	2.0145-2.0165
S. Af (Cm)	3.7865-3.8065	2.1390-2.1500
S. Af (Fn)	4.9180-5.0575	2.7780-2.8570
Taiwan	50.55-50.80	28.60-28.70
U.A.E.	6.5005-6.5060	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Mar.4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.774	2.998	228.5	10.14	2.483	3.365	2209	2.230	62.60
$	0.564	1	1.690	128.8	5.716	1.400	1.897	1245	1.257	35.29
DM	0.334	0.592	1	76.22	3.382	0.828	1.122	736.8	0.744	20.88
YEN	4.376	7.764	13.12	1000.	44.38	10.87	14.73	9667	9.759	274.0
F Fr.	0.986	1.750	2.957	225.3	10.	2.449	3.319	2179	2.199	61.74
S Fr.	0.403	0.714	1.207	92.03	4.084	1	1.355	889.6	0.898	25.21
H Fl.	0.297	0.527	0.891	67.90	3.013	0.738	1	656.5	0.663	18.60
Lira	0.453	0.803	1.357	103.4	4.590	1.124	1.523	1000.	1.010	28.34
C $	0.448	0.796	1.344	102.5	4.547	1.113	1.509	990.6	1	28.07
B Fr.	1.597	2.834	4.789	365.0	16.20	3.966	5.375	3529	3.562	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates ease slightly

SHORT TERM rates were lower in London yesterday when the Bank of England's forecast for the day's shortage was found to be considerably less than expected. After discount houses sold bills in the morning, weekend interbank money was "knocked for six" according to one dealer, finishing as low as 2 p.c.

The supply of credit next week was going to be quite comfortable, he added, with recent intervention by the authorities, selling sterling, likely to bolster short term liquidity levels.

Longer term rates reflected a slightly more uncertain picture.

UK clearing bank base lending rate 9 per cent from February 2

Reluctance to make any long term commitment was explained away to some extent by proximity of the UK Budget. However traders were also a little unsettled by the current strength of sterling, pointing out that recent fears about a widening balance of payments deficit should be exerting downward pressure on the pound and pushing rates firmer.

Three-month interbank money was barely changed at 9 3/16-9⅛ p.c. from 9¼-9⅛ p.c., while the one year remained at 9 11/16-9 9/16 p.c.

The Bank of England forecast a shortage of around £400m, with factors affecting the market including, repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £385m. There was also a rise in the note circulation of £325m, and banks brought forward balances £105m below target. These were partly offset by Exchequer transactions which added £295m.

The forecast was revised to a shortage of around £450m, and the Bank gave assistance in the morning of £416m through outright purchases of £242m of eligible bank bills in band 1 and £174m in band 4, all at 8⅞ p.c. A further revision took the forecast back to a shortage of around £400m but there was no further intervention by the Bank

Sterling's strength and a softer tone over the week in money rates, were reflected in a fall in the average rate of discount at the weekly Treasury bill tender. The rate fell to 8.7686 p.c. from 8.8106 p.c. The £100m of bills on offer attracted bids of £748m

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 4) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6¾	bid 6¾	offer 6⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.03	Three year	7.42
Broker loan rate	7¾	Two month	5.39	Four year	7.62
Fed.funds	6¾-¾	Three month	5.88	Five year	7.78
Fed.funds at intervention	-	Six month	6.25	Seven year	8.05
		One year	6.67	10-year	8.29
		Two year	7.23	30-year	8.48

Mar.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.35	3.25-3.40	3.30-3.40	3.30-3.40	3.35-3.50	4.50
Paris	7⅛-7¼	7¼-7½	7⅛-7¼	7½-7¾	7¾-7⅞	7.50
Zurich	1-1½	1¼-1½	-	1½-1¾	-	-
Amsterdam	3½-3⅞	3⅞-4	-	3⅞-4⅛	-	-
Tokyo	3.59375	3.90875	-	3.84375	-	-
Milan	10-10½	10⅞-11⅛	-	10⅞-11⅛	-	-
Brussels	6.50	6⅛-6¼	-	6⅛-6¼	-	-
Dublin	8-8¼	8⅛-8⅜	8½-8¾	8½-8¾	8¾-9¼	-

LONDON MONEY RATES

Mar.4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	9¼	9	9	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	9	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	9	[illegible]	-	-	-	-
Company Deposits	9	9	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	-	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	9	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	6.70-6.65	6.75-6.70	6.85-6.80	7.10-7.05
SDR Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 8⅜ per cent; three months 8⅝ per cent; Bank Bills (sell): one-month 8⅝ per cent; three months 8⅝ per cent; Treasury Bills: Average tender rate of discount 8.7686 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 29, 1988. Agreed rates for period March 26, 1988 to April 25, 1988, Scheme I: 10.45 p.c., Schemes II & III: 10.56 p.c. Reference rate for period Jan 30, 1988 to February 29, 1988, Scheme IV: 9.247 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from March 1, 1988: Bank Deposit Rates for sums at seven days notice 3-3½ per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent, one-three months 8¼ per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7½ per cent from Jan 26, 1988. Deposits withdrawn for cash 5.00 per cent.

Gilts easier but equities close firmly

Account Dealing Dates

Option First Dealings	Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apr 7	Apr 8	Apr 18

*New time dealings may take place from 9.00 am two business days earlier.

THE PRE-BUDGET advance in the UK stock market was confirmed yesterday when shares staged a further upturn in heavy turnover, although gains were cut back at the close as Wall Street opened lower.

The two-week equity market account, which has brought a gain of six per cent in market indices, closed in good form with buyers active for the new account, which spans Budget Day, March 15.

The FT-SE 100 Index closed 21.3 up at 1534.5, having fallen back from the day's peak of 1546.6 as UK Gilts followed the US bond market downwards in response to lower unemployment levels in the US. The Stock Exchange disclosed that equity market turnover topped £1.1bn on Thursday, for only the third time this year. Yesterday's Seaq volume total of 668m shares was 15 per cent up on Thursday's figure.

After a quiet start, equities moved up strongly as new-time buyers, willing to pay the premium for trading in next week's account, pushed into the market-place. With stock now very short after five sessions of increasing prices and turnover, "it looked a bit like the Big Crash in reverse", according to one trader.

Confidence was not diminished when share prices turned back smartly in the afternoon. The underlying tone remained very firm, with the leading blue chip exporting firms unaffected by the renewed vigour of sterling, which is seen as the chief guarantee against any upward move in domestic interest rates.

"The risk of a near-term hike in base rates has subsided", commented Mr Ian Harwood of Warburg Securities in his Weekly Economic Briefing.

In addition to the general optimism for a favourable Budget, the market looks for a good lead on Monday when several major stocks, notably ICI and Shell, will be marked ex dividend. Traders expect the ex dividend prices to reflect the market's bullishness.

The results season, which has played a significant role in the stock market's advance over the past fortnight, continued to encourage many features. Insurance shares extended their recent gains, and in the mining sector Consolidated Gold Fields made a belated response to the strong rise in profits announced earlier in the week.

Government bonds, easier throughout the session, ran into selling at the close when the US Federal securities market turned down. Weakness was encouraged by a fall in the LIFFE bond futures contract through a significant support level. Long dated Gilts ended with falls ranging to ¾.

Some bond market analysts saw the late weakness in the market as one reason why the authorities did not introduce a new tap stock at the traditional time of 4.30pm on Friday. Although there is no question of any present need for Government funding, a new long tap is widely expected next week, as a market management strategy by the authorities over the Budget period.

British Aerospace rose sharply in heavy turnover as the management commenced a round of one-to-one presentations to City institutions of its case for the planned acquisition of Rover. By the close, the shares, 18 up at 360p, had more than recouped the loss which greeted Tuesday's announcement of the Rover plan.

Many analysts remain unconvinced of the logic behind the planned purchase of the carmaker. However, Mr Brian Newman, chief electronics analyst at Chase Manhattan said, "It could be the deal of the decade, if it comes off", and Chase admitted to being a major buyer of Aerospace shares yesterday, when 11m changed hands.

Enterprise Oil ignored a fresh bout of weakness in crude oil prices and raced up to 317p before closing a net 13 higher at 315p on turnover sharply higher at 3.4m shares. The latest improvement in the stock came following reports that the company has made a discovery in its 100 per cent-owned block 22/11 in the North Sea but that its operations had been hampered by bad weather. Market talk was that details of the well should be known next week.

LASMO, which has a 25 per cent-plus stake in Enterprise, moved up 5 to 297p on turnover of 1.7m; stories that a full bid for LASMO from RTZ is imminent after the latter's sale of its cement interests, were regarded as premature.

BP "old" and "new" continued to attract heavy buying interest with turnover especially heavy in the former where almost 10m changed hands. The securities house leading the buying of BP is known to be bullish of the oil sector in general and particularly BP. The latter edged up to 250p while the "new" held at 63p after turnover of 2.7m shares.

There was a substantial two-way business (3.7m shares) in Shell which eased a shade to 1018p following the latter's preliminary figures announced on Thursday. BZW, Kleinwort Grieveson and County NatWest are positive on the stock but Morgan Grenfell say the shares are a "sell" and "will underperform against a weakening oil price outlook and difficult trading conditions in the first quarter".

British Gas were aggressively bought by Nomura, the Japanese securities house, and closed a fraction up at 138p on turnover 9.2m shares.

The resignation of Mr M. McWilliam as group managing director and chief executive of Standard Chartered Bank and the appointment of Mr R. Galpin as executive chairman designate saw Standard Chartered shares come off the day's best of 512p and close a net 7 higher at 510p; turnover was just short of 550,000 shares.

The big-four banks continued move ahead after the recent re-rating and also on strong support from income investment funds. Barclays added 10 more at 523p and Lloyds, where bid rumours have been circulating all week, edged up 4 to 292p. Heavy buying of traded options in TSB triggered demand for the underlying stock and the share price gained 4 to 115p.

Insurance made rapid progress. Talk of further buying by Larry Adler's FAI boosted Pearl 6 more to 464p. A buoyant composite sector was featured by Royals, 12 up 494p, and GRE, 24 higher at 928p. Broker Sedgwick added 9 at 218p.

A livelier interest was shown in the Brewery majors with the accent on Whitbread "A" following a Morgan Grenfell "buy" recommendation. Mr Nigel Popham, in his latest Drinks Monitor, says the stock has not participated in the recent rally, despite good fundamentals. He adds, "in the year to end-February 1989, EPS growth of 18 per cent is forecast, over 50 per cent higher than our estimate for the market". The shares rose 8½ to 301p as volume increased to 3.4m. Bass, another favourite of the securities house, improved only marginally to 837p, being held back by the reappearance of a sizeable seller.

Guinness resumed their advance after Thursday's hiccup to close 4½ at 312p while Allied-Lyons similarly reverted to the recent bull tack. The possibility of further switching into the new Bond/Allied-Lyons 6 per cent euro-Convertible, trading yesterday at around caused £100, caused Allied's shares to trade uncertainty at the opening. But they regained momentum later to touch 374p before closing 6 higher on balance at 370p. Turnover amounted to 2.7m shares.

Buildings shares made another bright showing although prices settled a shade below the best as Wall Street came in lower. Blue Circle were excited by bid speculation and rose 12 to 460p, while Costain, in which Trafalgar House recently increased its holding to 6.3 per cent, gained 8 more to 319p. Barratt Developments, half-year figures due on March 23, put on 7 to 199p and George Wimpey picked up 8 at 258p. Steetley revived with a gain of 13 at 332p.

ICI edged forward to £11⅛. Allied Colloids added 3 more to 140p and Foseco picked up 6 at 232p.

Marks and Spencer was easily the most active stock in stores with almost 10m traded awaiting the outcome of the battle for control of Federated Department Stores, which will decide Marks' chances of acquiring Brooks Brothers, the high grade New York clothing store. The share price edged up 3 to 180p with business featured by a single purchase of 1.2m shares at 180p.

The major turnover stocks in an electronics sector bubbling with takeover speculation continued to see-saw. Plessey, where daily business has regularly topped 10m shares this week, closed 3 up at 171p on turnover of 8.2m. Over the week the stock has risen 11 after widespread talk that a predator has built a stake of around 4 per cent as a prelude to a full bid. Sentiment was also boosted yesterday by news of a £10m Navy contract.

STC, widely tipped as a possible bidder for Plessey and which announced a 40 per cent jump in pre-tax profits this week, moved up 6 to 253p on turnover of 253p.

Substantial US business in British Telecom boosted turnover to 7m and helped the shares edge up 3 to 251p. Stock shortages were evident in Amstrad, up 8 at 164p on turnover of 5.1m, and Racal, 3 higher at 235p as 3.9m shares traded. GEC were a like amount firmer at 160p – business here remained extremely lively with 12m shares traded.

BICC rose 8 to 345p ahead of preliminary figures due on Wednesday, while Pressac, after the recent contract with British Telecom, moved up 10 to 163p.

Buying in anticipation of forthcoming results kept selected Food shares on the boil. Rowntree, annual figures due on March 17, firmed 7 more to 455p, while Hillsdown, due to reveal preliminary results next Wednesday, put on 7 to 305p. Ranks Hovis McDougall, in which Goodman Fielder of Australia holds a 29.9 per cent stake, gained 6 to 333p in the wake of a meeting with Warburg Securities, the investment house.

Hotel shares continued to attract buyers in the wake of buoyant overseas visitor figures. Grand Metropolitan spurted 14 to 503p. Trusthouse Forte rose 9 to 249p.

International stocks opened cautiously, but moved ahead as institutional buyers appeared. Fisons, a neglected market since revealing annual profits more or less in line with market estimates, revived with a gain of 7 at 256p with Nomura, the Japanese securities house, taking a positive view of the stock. Beecham improved 6 to 480p and BTR picked up 5 at 270p. Glaxo continued to attract buyers ahead of the interim statement due on March 14 and rose ⅛ to £10⅞. Elsewhere, Norcros gained 18 to 427p on takeover hopes and Williams Holdings rose 10 to 294p in the wake of the recent figures. Granada greeted Spanish acquisition news with a gain of 9 at 336p, while Sale Tilney firmed 3 to 230p folllowing the good results. Johnson Matthey revived with a gain of 19 at 273p, while Christies International, sharply higher on Thursday on the disclosure that auctioneers Phillips Son and Neale had acquired a stake in the company, advanced afresh to 593p prior to closing a penny cheaper on balance at 583p. Thomson T-Line were requoted at 91p and closed at 95p compared with a suspension price of 108p following the acquisition of Vernons Pools.

Lex Service featured strongly again as analysts upgraded their 1988 profit estimates after Thursday's annual results. BZW has raised its forecast from £55m to £60m and rates the stock, up 12 more yesterday at 352p, a "buy". Evans Halshaw, also recommended by the securities house as a group "building up progressively with a good mix of businesses", rose 7 to 255p. BSG, on the other hand, came under sustained selling pressure late and fell 4 to 62p as stories resurfaced of serious problems with Ford over its Britax seat belts. According to a leading marketmaker, the company claimed last night that the situation has been overstressed and pointed out that it also distributes Ford cars.

Reed International pushed further ahead when renewed light-demand found supplies of stock short. Reports of the group renegotiating its magazine distribution agreements added to the speculation currently surrounding the shares, which closed 11 higher at 442p. FKB, the marketing services group, eased following news of the call for £15m – via a rights issue – needed for the acquisition of four US companies. The shares, however, still closed 35 up on the week at 265p while profit-taking after the excellent annual results brought WPP back 4 to 531p.

British & Commonwealth maintained their forward momentum, still influenced by Thursday's heavy traded option activity in the April 330's series, and settled 7 dearer at 320p. Templeton Galbraith & Hansburger responded further to the increased annual profits, gaining 7 to 133p, but sporadic profit-taking clipped 10 from Centreway Trust, at 170¼p.

Traded options enjoyed another useful turnover, the total number of contracts rising to 37,326. Calls came out at 29,277 and puts at 8,049. The FTSE contract saw active trading. There was reportedly heavy buying and call premiums rose. There was also interest in far dated puts. The FTSE contract registered 1,219 calls and 2,993 puts. Numerous stocks recorded call contracts in excess of 1,000 including British Gas, 1,037, GEC, 1,731, Trusthouse Forte, 1,591 and Sears, 1,615. Hanson registered 2,153 calls and 18 puts. British Aerospace attracted heavy trade in the out-of-the-money calls.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Call options were produced in Wheway, Joseph Webb, Sound Diffusion, Blacks Leisure, Brown & Jackson, Jove Inv. capital, Raine Industries, Eagle Trust, Helene of London, Ossory Estates, Amersham, Premier Cons. and Monarch Resources. Doubles were taken out in Polly Peck, Eagle Trust and BP partly-paid.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Mar. 3	Mar. 2	Mar. 1	Feb. 29	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.24	90.41	90.39	90.47	90.26	89.52	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.72	96.52	96.47	96.55	96.43	94.69	99.12 (22/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1478.7	1463.6	1467.9	1459.1	1429.5	1601.4	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	259.7	241.8	241.4	238.6	234.0	338.2	497.5 (4/8/87)	224.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.32	4.36	4.36	4.44	4.47	3.64				
Earnings Yld. % (full)	11.02	11.12	11.10	10.58	10.65	8.48				
P/E Ratio (net)	11.08	10.99	11.01	11.47	11.39	14.46				
SEAQ Bargains (5pm)	37,045	33,257	28,764	26,092	23,914	52,723				
Equity Turnover (£m)	-	1484.59	1527.07	1008.35	816.41	1837.58				
Equity Bargains	-	36,537	31,115	28,975	26,946	64,542				
Shares Traded (ml)	-	563.5	477.8	398.9	347.4	691.5				

S.E. ACTIVITY

Indices	Mar. 3	Mar. 2
Gilt Edged Bargains	116.0	129.3
Equity Bargains	236.7	201.6
Equity Value	3000.7	2682.3
5-Day average		
Gilt Edged Bargains	125.6	127.3
Equity Bargains	193.9	182.5
Equity Value	2342.2	2194.6

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1464.2	1471.7	1477.6	1479.4	1483.1	1483.8	1484.5	1484.2

Day's High 1489.6 Day's low 1464.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.97. † Correction

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

LONDON TRADED OPTIONS

March 4 Total Contracts 37,326 Calls 29,277 Puts 8,049. FT-SE Index Calls 1,219 Puts 2,993. *Underlying security price.

NEW HIGHS AND LOWS FOR 1987/88

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Δ Bargain done with non-member or executed in overseas markets.

Corporation and County Stocks

No. of bargains included 10

Greater London Council 6¾% Stk 90/92 – £90¾ 1 ¼ ⅜

Birmingham Corp 3½% Stk 1946(or after) – £25 (26Fe88)

Birmingham District Council 11½% Red Stk 2012 – £109⅞ (26Fe88)

Manchester(City of) 11.5% Red Stk 2007 – £109

Newcastle-Upon-Tyne(City of) 11½% Red Stk 2017 – £109♦ ⅛♦

Salford Corp 5¾% Red Stk 86/88 – £96⅞ 7⅛

UK Public Boards

No. of bargains included 1

Banks and Discount Companies

No. of bargains included 1476

Bank of Wales PLC 13½% Subord Uns Ln Stk 95/97 – £113⅞ 4⅞

Barclays PLC ADR (4:1) – $35.99♦

Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 – £91 2¾ (2Mr88)

8¾% Uns Cap Ln Stk 86/93 – £92 ¾

12% Uns Cap Ln Stk 2010 – £113⅞ ⅝

16% Uns Cap Ln Stk 2002/07 – £138⅞

Barings PLC 8% Cum 2nd Prf £1 – 105 (2Mr88)

5% Cum 2nd Prf £1 – 40

Midland Bank PLC 7¾% Subord Uns Ln Stk 83/93 – £89

10¾% Subord Uns Ln Stk 93/98 – £101⅞

Foreign Stocks, Bonds, etc–(coupons payable in London)

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Sterling Issues by Overseas Borrowers

Financial Trusts, Land, etc

Insurance

Investment Trusts

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

Randsworth Trust PLC 7% Cum Cnv Red Prf £1 – 75 7 8

Scanro Hldgs PLC 7.75% Cnv Cum Red Prf £1 – 120

Sharp & Law PLC 8.5% Cum Red Cnv Prf 10p – 186

Sigmex International PLC Ord 10p – 48

Splash Products PLC Ord 10p – 84

Titon Hldgs PLC New Ord 10p(Fp/LA-7/3/88) – 82

Willaire Systems PLC Fixed Rate Cnv Cum Red Prf 2p – 114 5 8

Yelverton Investments PLC 8% Cnv Uns Ln Stk 1997 – £80

The Third Market Appendix

No. of bargains included 136

Medirace PLC Warrants to sub for Ord – 73 5 82

Nevan Resources PLC Ord Ir£0.20 – 0.65 0.7 p 69

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

ACI Intl 158♦

Aberfoyle A$3 64

Abitibi-Price £10¼ (2/3)

Acorn Securities 18♦16,17,18 19 A$0 402 0 404

Alkane Exploration A$0.1

America Barrick Resources Corp Com NPV £11¼♦

Ampol Expln A$3 638

Amsterdam Rotterdam Bank FL40 4.40 45.40 6.66 6

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

By Permission of the Stock Exchange Council

LEADERS AND LAGGARDS

Percentage changes since December 31 1987 based on Thursday February 3 1988

Investment Trusts	+ 13.43	500 Share Index	+ 6.65
Motors	+ 12.87	Brewers and Distillers	+ 6.48
Contracting,Construction	+ 12.80	Financial Group	+ 6.41
Shipping & Transport	+ 12.38	Consumer Group	+ 5.54
Agencies	+ 11.91	Packaging & Paper	+ 5.47
Telephone Networks	+ 11.88	Metals & Metal Forming	+ 5.36
Leisure	+ 11.45	Electricals	+ 5.34
Health & Household Products	+ 11.23	Electronics	+ 5.20
Conglomerates	+ 10.01	Chemicals	+ 4.86
Property	+ 9.63	Oil & Gas	+ 4.36
Mechanical Engineering	+ 9.58	Other Industrial Materials	+ 4.21
Overseas Traders	+ 9.56	Insurance(Life)	+ 4.21
Building Materials	+ 9.23	Food Manufacturing	+ 4.05
Other Groups	+ 8.95	Food Retailing	+ 2.89
Capital Goods	+ 7.79	Stores	+ 0.71
Banks	+ 7.23	Merchant Banks	+ 0.64
Insurance(Composite)	+ 7.08	Textiles	+ 0.19
Publishing & Printing	+ 7.05	Insurance(Brokers)	- 0.16
Industrial Group	+ 7.04	Mining Finance	- 2.55
All Share Index	+ 6.73	Gold Mines Index	- 19.95

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	19	78	17	263	240	67
Corporations, Dom. and Foreign Bonds	12	12	28	76	57	127
Industrials	643	255	662	2,612	1,544	3,644
Financial and Props	265	74	299	1,106	474	1,610
Oils	25	24	60	112	134	299
Plantations	5	1	7	8	8	49
Mines	57	36	108	266	256	483
Others	80	74	107	447	290	571
Totals	1,106	554	1,288	4,890	3,003	6,850

BANK RETURN

BANKING DEPARTMENT	Wednesday March 2, 1988	Increase (+) or decrease (-) for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	80,078,304	+ 14,835,386
Bankers Deposits	1,011,075,237	- 29,427,883
Reserve and other Accounts	1,939,743,403	+ 11,789,452
	3,045,449,944	- 32,473,797
ASSETS		
Government Securities	647,053,178	+ 36,830,000
Advance and other Accounts	909,500,593	+ 69,442,285
Premises Equipment & other Secs	1,484,400,782	- 132,885,870
Notes	4,200,223	- 5,849,926
Coin	295,168	- 10,285
	3,045,449,944	- 32,473,797
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	13,325,799,777	+ 45,849,926
Notes in Banking Department	4,200,223	- 5,849,926
	13,330,000,000	+ 40,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	1,526,309,900	+ 217,864,682
Other Securities	11,792,675,000	- 177,864,682
	13,330,000,000	+ 40,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm.Bk.N.East	9	Norwich Gen. Trust	9
American Exp.Bk	9	Consolidated Cred	9	PK Finans. Intl(UK)	9½
Henry Ansbacher	9	Co-operative Bank	°9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Willmsn Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	§10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Bankg Corp.	9		

● Members of the Accepting Houses Committee. ° 7 day deposits 4.00% Sawerise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.75% - 10%

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	Last	Aug. 88 Vol	Last	Nov 88 Vol	Last	Stock
GOLD C	$440	119	13.50	2	23 B	-	-	$432.60
GOLD C	$460	45	5.90	37	14.50	23	22	$432.60
GOLD C	$500	-	-	20	5	-	-	$432.60
GOLD C	$540	-	-	25	2	-	-	$432.60
GOLD P	$400	40	4	-	-	-	-	$432.60
GOLD P	$420	121	8 A	3	11.50 A	-	-	$432.60
GOLD P	$440	-	-	-	-	32	20	$432.60
GOLD P	$460	2	29 A	30	30 A	10	31	$432.60
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$700	6	1	20	20	-	-	$642
SILVER P	$650	-	-	8	45	20	60	$642
		Mch 88		Apr 88		May 88		
EOE Index C	Fl 185	37	15	2	16	4	17.50	Fl 199.45
EOE Index C	Fl. 190	21	10 B	-	-	254	14.50	Fl. 199.45
EOE Index C	Fl 195	91	6.80	9	10.50	3	11.50	Fl. 199.45
EOE Index C	Fl 200	69	3.70 A	26	7	5	9	Fl. 199.45
EOE Index C	Fl 205	104	2	11	4.80	-	-	Fl 199.45
EOE Index P	Fl 180	-	-	32	2.60	-	-	Fl. 199.45
EOE Index P	Fl. 185	118	1	52	3.50 A	51	5.30	Fl. 199.45
EOE Index P	Fl 190	130	1.50	10	5.30	2	7	Fl 199.45
EOE Index P	Fl 195	164	3	47	7	-	-	Fl. 199.45
EOE Index P	Fl 200	84	4.50	14	9.50	14	11.50	Fl. 199.45
£/Fl C	Fl. 335	-	-	30	2.20	-	-	Fl. 336.73
$/Fl C	Fl 190	386	1.50	-	-	-	-	Fl. 190.20
$/Fl C	Fl 195	-	-	-	-	30	1.80	Fl. 190.20
$/Fl C	Fl. 200	20	0.05	-	-	-	-	Fl. 190.20
$/Fl P	Fl 190	22	1.50	2	3	-	-	Fl. 190.20
$/Fl P	Fl 200	125	9.50	-	-	-	-	Fl. 190.20
		Apr 88		Jul. 88		Oct. 88		
ABN C	Fl 40	276	1.30	148	2	48	2.50	Fl. 39.90
ABN P	Fl 45	-	-	307	6.70	303	8	Fl 39.90
AEGON C	Fl 70	62	3	58	4.40	63	5.50	Fl. 71.70
AEGON P	Fl 60	100	0.50	-	-	-	-	Fl. 71.70
AHOLD C	Fl 80	-	-	21	2.50	12	4.40	Fl. 75.50
AKZO C	Fl 100	487	6.50	82	8.20	13	10.80	Fl. 102.70
AKZO P	Fl 100	250	3.40	81	8.20	7	10	Fl 102.70
AMEV C	Fl 45	359	3.70	130	4.50	-	-	Fl 47.70
AMEV P	Fl 45	17	1.20	-	-	-	-	Fl 47.70
AMRO C	Fl 70	45	0.80	357	1.70	16	2.20	Fl 65.90
AMRO P	Fl 65	14	1.60	34	4.30	10	5.80	Fl. 65.90
ELSEVIER C	Fl 50	226	2	73	3.10	5	4.70	Fl. 49.30
ELSEVIER P	Fl 45	69	0.90	16	2.80	-	-	Fl 49.30
GIST-BROC C	Fl 30	81	2	149	3.20	405	4.30	Fl. 30.50
GIST-BROC. P	Fl 27.50	21	0.50	-	-	208	2.10	Fl. 30.50
HEINEKEN C	Fl 120	169	8.50	1	11	2	14 A	Fl 126
HEINEKEN P	Fl 120	112	4.30	-	-	-	-	Fl 126
HOOGOVENS C	Fl 30	45	2.90	198	4.70	15	5.10 B	Fl. 31.50
HOOGOVENS P	Fl 30	5	2	32	2.70	-	-	Fl 31.50
KLM C	Fl. 35	816	1.70	282	3.20 A	128	3.80	Fl. 35.20
KLM P	Fl 30	215	0.50	2	1 A	2	1.80	Fl 35.20
NEDLLOYD C	Fl 190	83	14	54	22.50	-	-	Fl 197.50
NEDLLOYD P	Fl 150	70	1.40 A	1	4.50 A	-	-	Fl 197.50
NAT NED C	Fl 60	183	1.40	100	2.70	79	3.90	Fl 58.10
NAT NED P	Fl 55	25	1.50	10	3.20	10	4.80	Fl 58.10
PHILIPS C	Fl. 27.50	79	0.80	137	1.70	41	2.50	Fl 27.30
PHILIPS P	Fl 30	162	3.80	20	4.60	11	4.90	Fl 27.30
ROYAL DUTCH C	Fl 220	464	2.50	304	4.80 B	97	7.20 B	Fl 213
ROYAL DUTCH P	Fl 200	25	1.50	142	6.20	32	9.50	Fl 213
ROBECO C	Fl 95	4	1	5	2	112	4.50	Fl 90.90
UNILEVER C	Fl 120	274	2.30	134	5 A	13	7	Fl 115.50
UNILEVER P	Fl 110	68	2.40	15	6	2	7.50	Fl. 115.50

TOTAL VOLUME IN CONTRACTS : 24,956

A = Ask B = Bid C = Call P = Put

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	28.7	30.6	-0.1	–
Do Income	28.5	30.4	+0.1	0.19
Scimitar European Acc	21.2	22.6	-0.1	–
Do Income	21.2	22.6	+0.1	0.11
Scimitar UK Eq Inc Acc	36.2	38.2	-0.2	–
Do Income	33.9	35.7	-0.2	5.39
UK Cap Gth Acc	24.8	26.3	+0.4	0.75
Scimitar Pac Basin Acc	30.2	32.2	-0.2	–
Scimitar Mngd Exempt	141.9	147.9	-0.8	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Inmt Income Units	130.7	139.0	–	3.34
Inmt Accum Units	200.2	213.0	–	3.34
UK General Acc	38.7	41.4	+0.4	3.38
UK General Inc	37.2	39.8	+0.4	9.38
American	27.7	29.6	+0.1	2.13
European	35.4	38.1	+0.1	1.26
Japan	58.1	62.1	–	0.03
Technology	35.7	38.2	+0.1	2.29
Performance Trusts				
Far East Perf Tst	18.4	19.7	+0.1	2.00
High Inc Perf Tst Inc	24.0	25.7	–	5.36
High Inc Perf Tst Acc	24.9	26.3	+0.1	5.36
Worldwide Tact Perf Tst	28.4	30.4	+0.1	2.71

Scottish Life Investments(z)
19 St Andrews Sq, Edinburgh 031-225 2211

Nelson (UK)	212.4	227.2	+1.6	2.60
Columbus (US)	134.2	143.6	-0.5	1.31
Marco Polo (Pac)	217.2	232.4	-0.6	0.27
Da Vinci (Eur)	226.4	242.2	+0.8	1.64
Drake (Wwl)	53.2	57.0	-0.2	2.61

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	205.6	218.8	-1.2	2.68
UK Smlr Cos. Equity	209.4	222.8	+0.3	1.93
UK Special Situations	60.7	64.6	+0.5	2.93
Income Plus	52.3	55.7	+0.3	5.35
European	163.6	174.1	-0.1	1.62
Far Eastern	51.9	55.3	+0.4	2.38
Japanese	55.7	59.3	+0.2	–
North American	115.5	122.9	+0.3	1.28
International Growth	110.1	117.2	-0.2	1.12
Worldwide Venture	53.2	56.7	+0.4	3.69

Scottish Provident Inv. Mgt. Ltd

[illegible]

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4365

TUUT Mar 1	212.5	225.7xd	–	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn Hse, Colchester CO1 1RA 0206 764400

Triton General	149.8	160.3	+2.3	1.35

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	58.7	62.2	+0.1	6.40
Accum Units	60.4	64.0	-0.1	–
Income	80.1	84.9	+0.3	4.42
Accum Units	80.1	84.9	+0.3	–
Smaller Co's	82.8	87.8xd	+0.1	1.85
Accum Units	83.7	88.7	+0.1	–
UK Growth	85.8	90.9xd	+0.4	2.28
Accum Units	86.9	92.1	+0.4	–
Pacific Gold Tst Acc	47.6	50.5	–	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	58.7	62.5	–	1.71
Technical Analysis Fd	51.7	55.0	-0.6	3.30

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London EC2R 7PA 01-588 6064
Advisers' Henderson Crosthwaite Ltd

Friars Hse Cap Fd	176.3	187.6	–	1.42
Friars Hse Inc Fd	150.2	158.1	–	3.82

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd E7 01-534 5544

United Charities	171.3	182.2	-0.8	4.63

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2488

Glenfriars	183.5	195.2	+2.2	1.47
(Accum Units)	187.1	199.0	+2.3	–
Far East & Gen	55.9	59.5	–	–
(Accum Units)	55.9	59.5	–	–
Master Portfolio	66.784	68.476	-0.328	3.02
(Accum Units)	68.614	70.373	-0.337	–
America & Gen	57.9	61.6	–	1.95
(Accum Units)	58.7	62.4	–	–
Growth	211.9	225.4xd	+0.8	1.87
(Accum Units)	319.6	340.0	+1.4	–
High Yield	268.0	285.1xd	+1.6	4.51
(Accum Units)	287.9	306.9	+1.9	–
Special Sits	52.1	55.4	+0.1	1.85
(Accum Units)	53.8	57.2	+0.2	–
Trustee	160.9	171.2	+2.6	4.06

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INSURANCES

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FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	374.6	394.4	—	—
Eb'r Ph. Eq.	316.0	337.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.9	174.6	+1.0	—
International Acc.	130.0	136.8	—	—
Property Acc.	125.4	132.0	—	—
Fixed Interest Acc.	154.9	163.0	—	—
Money Acc.	136.8	144.0	+0.1	—
Bldg. Soc. Link Acc.	133.9	140.9	+0.1	—
Special Mngd. Acc. Q	147.6	155.3	+0.6	—
Phoenix/Framlington				
Intnl. Growth Acc.	89.9	94.6	-0.1	—
Amer. & Gen. Acc.	83.7	88.1	—	—
Capital Tst. Acc.	172.9	181.9	+0.8	—
Japan & Gen Acc.	182.9	192.5	-0.1	—
American Turn. Acc.	84.7	89.1	+1.2	—
Recovery Tst. Acc.	170.3	179.2	+1.4	—
Special Mngd Acc.	143.7	151.2	+0.6	—
Phoenix/GT				
International Acc.	124.1	130.6	+0.8	—
US & General Acc.	93.3	98.2	+0.8	—
Amer Spec Sits Acc.	67.2	70.7	+1.2	—
Japan & General Acc.	178.0	187.3	-0.2	—
Far East & Gen. Acc.	141.4	148.8	+0.5	—
UK Capital Acc.	171.4	180.4	+0.4	—
European Acc.	136.1	143.2	+0.1	—
Special Mngd. Acc.	126.6	133.2	+0.5	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.1	280.2	—	—
Man Pens Inc & Cap Fds.	340.3	358.3	—	—
Money Fund	111.4	117.3	—	—
Pens. Mngd Fd (Unit)	83.5	87.9	—	—
Pens Mngd Fd (Acc)	93.9	98.9	—	—
Pens FT30 Fd (Unit)	128.1	134.9	—	—
Pens FT30 Fd (Acc)	144.0	151.6	—	—
Pens O'seas MgFd(Unit)	56.7	59.7	—	—
Pens O'seas MgFd(Acc)	63.7	67.1	—	—
Pens Fxd Int Fd (Unit)	104.7	110.3	—	—
Pens Fxd Int Fd (Acc)	117.6	123.8	—	—
Pens Deposit Fd (Unit)	100.9	106.3	—	—
Pens Deposit Fd (Acc)	113.4	119.4	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	90.0	95.0	-1.0	—
Building Soc. Fd.	158.0	167.0	—	—
Balanced	233.0	246.0	-1.0	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Mar 2	196.7	204.9	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	437.7	460.8	—	—
Equity Fd.	894.3	941.4	+6.8	—
Intnl. Fd.	310.2	326.6	-0.4	—
Fixed Int. Fd.	366.1	385.4	+0.1	—
Prop. Fd.	306.1	322.3	—	—
Cash Fd	234.4	246.8	—	—
Pacific Basin Fd.	171.5	180.6	+0.1	—
North American Fd.	126.3	133.0	+0.3	—
European Fd.	133.0	140.1	—	—
Holborn Balanced Gwth Fd.	99.6	104.9	+0.3	—
Holborn Strategic Gwth Fd.	97.8	103.0	+0.2	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	467.6	492.3	+1.7	—
Equity	668.4	703.6	+5.3	—
Global Equity	196.6	207.0	+0.2	—
Fixed Interest	372.3	391.1	-0.1	—
Property	306.9	323.1	—	—
Cash	137.9	145.2	+0.1	—
Index Linked Gilt	163.5	172.2	—	—
Guaranteed	8.96		—	—
International Money	186.9	196.8	-0.3	—
North American Fd	56.6	59.6	—	—
Japanese Fund	124.7	131.3	-0.1	—
European Fund	70.5	74.3	+0.4	—
Special Situations Fd	96.5	101.6	+0.4	—
Communications Fund	80.1	84.4	-0.3	—
Smaller Cos Fund	94.6	99.6	+0.2	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 2	£123.31	126.84	—	—
Equity Fund Mar 2	£131.53	135.51	—	—
Intnl Fund Mar 2	£21.15	21.85	—	—
Intl Bond Fd Mar 2	£10.98	11.13	—	—
Fixed Int. Mar 2	£67.46	68.32	—	—
Index Linked Mar 2	£51.63	52.26	—	—
Property Fund Mar 2	£79.15	83.82	—	—
Cash Fund Mar 2	£18.2612	18.2612	—	—
Pru-Linked Retirement Plus				
Managed Fd Mar 2	310.0	323.0	—	—
Cash Fund Mar 4	172.9	180.3	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102¼	99	Exch 10½pc '88	100¼	.....	10.47	8.83
101	98	Treas 9¼pc Cv '88	100	.....	9.74	8.91
98¾	93	Transport 3pc '78-88	98	–	3.04	6.69
101½	98	Treas. 9½pc '88	100	–	9.48	9.06
105	101	Treas 11½pc 1989	102	–	11.26	9.07
102	97	Treas 9½pc Cnv 1989	100	.....	9.47	9.11
96	89¼	Treas 3pc 1989	96¼	.....	3.12	6.38
104½	99	Treas 10½pc 1989	101	.....	10.34	9.13
103	98½	Exch. 10pc 1989	101	–	9.89	9.15
105¼	100	Exch 11pc 1989	102 xd	.....	10.72	9.14
96	89	Treas 5pc 1986-89	96¼	–	5.20	7.49
106	99	Exch 10¼pc Cv '89	103	.....	9.90	7.95
111	104	Treas 13pc 1990‡‡	106	–	12.21	9.10
106½	100	Exch 11pc 1990‡‡	103	–	10.66	9.13
110	103	Exch. 12¼pc 1990	106 xd	–	11.79	9.18
92	84½	Treas. 3pc 1990	92½	–	3.25	6.94
100	93	Treas 8¼pc 1987-90‡‡	98	–	8.36	8.90
101	98	Treas. 8pc Cv 1990	100	–	7.96	7.74
105	97½	Treas. 10pc Cv 1990	101	–	9.81	9.15
91	81	Exch 2½pc 1990	89	+	2.79	6.69
110½	102	Treas 11¾pc 1991	106	.....	11.05	9.16
95	87¼	Funding 5¾pc '87-91‡‡	93 xd	+	6.14	8.11
90	80¼	Treas. 3pc 1991	88	+	3.38	6.95
110½	98½	Treas 10pc Cv '91 ‡‡	104	.....	9.62	8.62
109¾	101	Exch. 11pc 1991	105	.....	10.43	9.17
99	91	Treas. 8pc 1991	96	–	8.29	9.09
116	107	Treas 12¾pc 1992‡‡	111	–	11.45	9.17
106	97	Treas 10pc 1992	102	–	9.74	9.17
99½	90	Treas. 8pc 1992 ‡‡	96	–	8.32	9.12
108	99½	Treas 10½pc Cv 1992‡‡	104	–	10.06	9.19
86	79	Treas. 3pc 1992	85	.....	3.52	7.06
115	105	Exch. 12¼pc '92	110	–	11.05	9.23
121	110	Exch 13½pc 1992	115 xd	–	11.70	9.25

Five to Fifteen Years

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107	97	Treas 10pc 1993‡‡	103	–	9.70	9.20
118	107½	Treas 12½pc 1993‡‡	113	.....	11.00	9.22
95	82¼	Funding 6pc 1993‡‡	91 xd	–	6.51	7.77
125	113¼	Treas 13¾pc 1993‡‡	119	–	11.52	9.30
129	117½	Treas 14½pc 1994‡‡	123	+	11.74	9.28
124	112	Exch 13½pc 1994	118	+	11.36	9.38
107¾	97	Treas. 10pc Ln. 1994‡‡	103	+	9.65	9.21
120	106	Exch. 12¼pc 1994	114	+	10.89	9.38
103¼	92	Treas 9pc 1994‡‡	99	+	9.03	9.06
118¼	105	Treas 12pc 1995	113¼	+	10.62	9.38
84¼	76	Exch 3pc Gas 90-95	82	–	3.63	6.00
109	97¼	Exch. 10¼pc 1995	105	–	9.76	9.29
123	110	Treas 12¾pc 1995‡‡	118¼	–	10.80	9.38
130	116¼	Treas. 14pc '96	124¼	–	11.27	9.53
102	92	Treas. 9pc 1992-96‡‡	99 xd	–	9.05	9.09
139	123	Treas 15¼pc 1996‡‡	131	–	11.56	9.52
127	113	Exch 13¼pc 1996‡‡	121½	–	10.90	9.41
89	81¼	Redemption 3pc 1986-96	85 xd	–	3.50	5.09
108	95	Conversion 10pc 1996	103	–	9.85	9.36
128	113½	Treas 13¼pc 1997‡‡	122	–	10.84	9.47
111	98¼	Exch 10½pc 1997	106	–	9.89	9.38
101	88	Treas 8¾pc 1997‡‡	96	–	9.02	9.23
97½	92½	Tr 8¾pc Ln "C" 1997	96	–	9.02	9.23
140	123	Exch 15pc 1997	132	–	11.29	9.67
106	93	Exch. 9¾pc 1998	102	–	9.54	9.39
88	78	Treas 6¾pc 1995-98‡‡	85½	–	7.93	9.01
145	128	Treas. 15½pc '98‡‡	138 xd	–	11.21	9.64
122	107	Exch. 12pc 1998	116	–	10.30	9.49
106	92	Treas 9½pc 1999‡‡	101	–	9.34	9.23
124	109	Exch. 12¼pc 1999	118 xd	–	10.33	9.49
113	98½	Treas. 10½pc 1999	107	–	9.77	9.40
111	96	Conversion 10¼pc 1999	105	–	9.68	9.40
100¼	86	Treas. 8½pc Ln 2000‡‡	95	–	8.94	9.18
103	89½	Conversion 9pc 2000‡‡	98¼	–	9.16	9.24
131	114	Treas. 13pc 2000	124	–	10.44	9.56
110	95	Treas 10pc 2001	104	–	9.55	9.35
134	118	Treas. 14pc '98-01	127	–	10.95	9.64
108	93	Conversion 9¾pc 2001	103	–	9.46	9.35
122¾	107	Exch. 12pc '99-02	116	–	10.31	9.53
110	96	Conversion 10pc 2002	105	–	9.52	9.33
109	94	Treas 9¾pc 2002	103	–	9.44	9.32
103	89	Exch. 9pc 2002	97	–	9.20	9.27

Over Fifteen Years

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
136	119	Treas. 13¾pc 2000-03	129	–	10.61	9.60
111	96½	Treas 10pc 2003	105 xd	–	9.44	9.26
121	105¾	Treas. 11½pc 2001-04	115 xd	–	9.98	9.44
111	96	Treas. 10pc 2004	106	–	9.40	9.23
59¾	51¼	Funding 3½pc '99-04	57	–	6.05	8.24
107	92¾	Conversion 9½pc 2004	102	–	9.27	9.20
107¾	92	Conversion 9½pc 2005	102	–	9.27	9.20
116¾	101	Exch. 10½pc 2005	111	–	9.44	9.19
132	115	Treas. 12½pc 2003-05	126	–	9.95	9.32
94	81⅛	Treas. 8pc 2002-06‡‡	90 xd	–	8.89	9.13
110¼	95	Conversion 9¾pc 2006	104	–	9.31	9.21
126¼	108	Treas. 11¾pc 2003-07	119	–	9.86	9.33
99	85	Treas 8½pc 2007 ‡‡	95	–	8.97	9.08
142	125	Treas. 13½pc '04-08	134 xd	–	10.00	9.27
104	89	Treas. 9pc 2008 ‡‡	99	–	9.07	9.08
102	90½	Treas. 9pc Ln 2008 "A"	99	–	9.07	9.08
94	81	Treas 8pc 2009	90 xd	–	8.86	9.03

BRITISH FUNDS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101	89¾	Conv 9pc Ln 2011	99	–	9.07	9.08
69¼	59¾	Treas. 5½pc 2008-12‡‡	67 xd	–	8.25	8.85
91¾	79	Treas. 7¾pc 2012-15‡‡	87	–	8.90	9.03
134	116	Exch. 12pc '13-'17	128	–	9.40	9.17

Undated

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
45¾	39	Consols 4pc	44	–	9.09	–
41	34	War Loan 3½pc‡‡	39⅛	–	8.95	–
52	46	Conv. 3½pc '61 Aft.	50 xd	–	6.89	–
34	29	Treas. 3pc '66 Aft.	32 xd	–	9.20	–
29	24	Consols 2½pc	27 xd	–	8.99	–
29	24	Treas. 2½pc	27 xd	–	8.99	–

Index-Linked

High	Low	Stock	Price £	+ or –	(1)	(2)
119¼	108	Treas 2pc IL '90(333.9)	118½	.....	0.74	2.13
101¼	93½	Do. 2pc '92‡‡ (385.8)	100 xd	.....	1.92	2.58
130	119½	Do. 2pc '96(267.9)	130 xd	+	3.27	3.89
111½	96½	Do 2½pc '01 (308.8)	109 xd	–	3.71	3.95
110	94½	Do. 2½pc '03(310.7)	106	–	3.73	3.94
113	94	Do. 2pc '06(274.1)	108⅛	–	3.77	3.95
108	89	Do. 2½pc '09(310.7)	101	–	3.77	3.93
113	93	Do. 2½pc '11(294.1)	105	–	3.77	3.92
95	76	Do. 2½pc '13(351.9)	88	–	3.72	3.86
103	83½	Do. 2½pc '16(322.0)	95	–	3.69	3.83
101	81¼	Do. 2½pc '20 (327.3)	93⅛	–	3.63	3.75
86	68	Do. 2½pc '24 ‡‡(385.3)	78	–	3.56	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1987:101.9 and for January 1988: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
113¾	97½	African Dv Bk 11¼ Ln 2010	107	–	10.38	10.29
109¾	93	Asian Dev Bk 10¼pcLn2009	103	+	9.95	9.90
136	117½	Australia 13½pc 2010	128	–	10.52	10.25
118¼	100½	Do. 11¾pcLn2015	111	–	10.24	10.13
115¾	99¾	Euro Inv Bk 11pc Ln 2002	108	–	10.10	9.83
110¼	94¾	Do. 10¼pc2004	104	–	9.92	9.79
126¼	109¾	Int-Am Dev Bk 12½pc 2003	119	+	10.50	9.990
104¾	88¼	Do. 9¼pcLn 2015	97	–	10.02	10.03
97½	83	Mlysia 10¾pcLn 2009	91 xd	+	11.74	11.83
130¾	100	Sweden 13½pc Ln 2010	128	+	10.49	10.19
103½	87	Utd. Mexican States 16½pc 2008	102 xd	–	16.04	16.00

CORPORATION LOANS

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
109¾	103	Birmingham 13½pc 1989	105	+⅛	12.81	9.95
119	100½	Do. 11½pc 2012	110	+	10.45	10.36
95¼	82½	GLC 6¾pc 1990-92	90¼ xd	.....	7.49	9.70
132½	115	Leeds 13½pc 2006	120	.....	11.25	10.97
35	22	Liverpool 3½pc Irred.	30 xd	.....	11.67	–
96	85	LCC 6¾pc '88-90	92½	–1	7.30	10.50
31½	21	Do. 3pc '20 Aft.	30 xd	+2	10.00	–
115	105½	Manchester 11½pc 2007	109	+¼	10.55	10.40

COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
92¼	81¼	NZ 7¼pc 1988-92	91½	–	7.92	9.65
207	165	S Rhod 2½pc Non-Asstd.	197	.....	–	–
78	65	Do. 4½pc 87-92 Asstd.	71½	.....	–	–
860	70	Zimbabwe Ann (£100pa)	89½	.....	–	–

LOANS

Building Societies

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101	99¾	N'Wide 10½pc 7.3.88	100	.....	10.50	10.51
101	99¾	Do. 9⅞pc 11.4.88	100	.....	9.94	9.42
102	98	Do. 9¾pc 3.5.88	100	.....	9.69	9.29
101	98¾	Do. 8⅞pc 23.5.88	99	.....	8.89	9.41
100	98	Do. 8⅞pc 20.6.88	99	.....	8.96	9.47
100	98	Do. 9⅝pc 11.7.88	100	.....	9.63	9.52
100	99	Do. 10pc 1.8.88	100	.....	9.98	9.54
101¼	99¾	Do 10½pc 22.8.88	100 xd	.....	10.52	9.57
101	99¾	Do. 10⅞pc 12.9.88	100	.....	10.77	9.61
101	99¼	Do. 10⅝pc 26.9.88	100	.....	10.57	9.60
101	100	Do. 10⅛pc 31.10.88	100	.....	10.17	9.72
100¼	99	Do. 9¼pc 28.11.88	99	.....	9.29	9.81
100	99¾	Do. 9¾pc 28.12.88	99	.....	9.77	9.85
100¼	99	Do. 9⅜pc 23.1.89	99	.....	9.33	9.92
102¾	84	Do. 3¾pcIL Ln 2021	92½	.....	4.41	4.56

Public Board and Ind.

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
94¾	84	Agric. Mt. 5pc '59-89	93½	+1½	5.35	9.80
48	38½	Met. Wtr. 3pc 'B'	46½ xd	.....	6.45	9.95

Financial

High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107	99	Inv in Ind 11¾pc Un Ln '90	103	–	11.41	9.88
98½	83½	Do 7¼pcAD'89-92	93½	+	7.75	8.28
113½	103	Do. 12½pc Un. Ln. 1992	108½	.....	11.52	9.86
98½	81½	Do. 7¼pc A 1991-94	92xd	.....	7.88	8.88
101½	89¼	Do. 9pc A 1991-94	100 xd	.....	8.97	8.92
100	85¾	Do. 8¾pc Ln 1992-97	99xd	+⅛	8.96	9.04

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Schroders Asia Limited

25th Floor, 2 Exchange Sq, Hong Kong. 5-211633

Asian Fund	$5.23	5.56	.....	–
Currency & Bond Fd Inc	$1.60	1.70	.....	–
Currency & Bond Fd Acc	$3.79	4.01	.....	–
Energy Fund	$3.97	4.25	.....	–
North American Fund	$4.54	4.84	.....	–
Gold Fund	$1.69	3.94	.....	–
Hong Kong Fd	$9.60	10.16	.....	–
International Trust	$5.41	5.76	.....	–
Japan Fund	$71.12	79.39	.....	–

Thornton Management Ltd.

33 Cavendish Square, London W1M 7HF. 01-493 8545

Kangaroo Fund	$8.18	8.5890	.....	–
Eastern Crusader	$5.58	5.8590	.....	–
European Opps Fund	$7.75	8.1375	.....	–
Golden Opps Fund	$6.17	6.4785	.....	–
HK & China Gateway Fd	$10.50	11.0850	.....	–
Intl Opps Fund	$1.72	1.80	.....	–
Japan Fund	$25.47	26.7435	.....	–
Little Dragons Fund	$9.91	10.4055	.....	–
Oriental Inc Fund	$19.20	20.16	.....	–
Pacific Inv Fd SA	$6.64	6.97	.....	–
Do. US Eagle	$10.22	10.731	.....	–

Warburg Investment Management Jersey Ltd — Contd.

Mercury Money Market Trust Ltd

£ Managed	£11.26	11.87	
US$ Managed	$32.77	34.51	
£ Sterling		£27.27	
US$		$41.40	
D Mark		DM88.80	
Yen		Y9167	
Dutch Guilder		DFl122.95	
Sw Fr		SFr84.23	

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44⅝	21¾	Sun Co. Inc. $1	38½xd	......	$3.00	–	5.4
42¼	22⅛	TRW Inc. 62½c	27¾xd	+⅛	$1.60	–	3.2
37⅛	21	Tenneco $5	23½xd	–⅛	$3.04	–	7.1
220	149½	Do 10pcLn.Stk 91-5	155	......	10%	–	14.7
29⅝	15⅝	Texaco $6.25	25⅝	+½	$3.00	–	6.4
74⅛	36⅜	Time Inc. $1	51¼xd	–⅞	$1.00	–	1.1
30⅛	15	Transamerica $1	20⅞	+⅛	$1.84	–	5.0
14⅛	1¼	Transworld Corp $5	946p	......	20c	–	1.2
27⅛	12¼	TRINOVA Corp	18⅛	–⅛	56c	–	1.6
24⅛	12⅝	USX $1	19	+⅛	$1.20	–	3.5
37⅛	16⅛	Utd. Technologies	22⅞	–⅛	$1.40	–	3.4
38⅛	25⅛	US West	31⅛	......	$3.28	–	5.8
30⅛	17⅛	Waste Management $1	20	–½	36c	–	1.0
31⅛	11⅛	Whirlpool $1	16⅛xd	+⅛	–	–	–
37⅛	16½	Woolworth $3½	26	–½	$1.32	–	2.8

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
180	87	Medirace 10p	125	-2	-	-	-	-
38	23	Norton Group 5p	28	+1	-	-	-	-
98	38	Wivoca Gold IR 2p	41	.....	-	-	-	-
48	35	Propeller 1p	36	.....	W	-	-	11.3
*82	13	Publishing Hldgs. 5p	18	+1	-	-	-	10.8
128	70	Seacon Hldgs	78	-3	-	-	-	10.6
27	18	Stats Hldgs. 5p	26	.....	-	-	-	66.5
4½	3	Sunyard Studios 1p	3½	+¼	-	-	-	20.0
230	200	Takare	218	.....	b1.0	8.1	0.6	22.4
87	38	Theme Holdings	45	+2	1.0	1.9	3.0	24.1
36	26	Tomorrows Leisure 20p	26	.....	-	-	-	10.4
210	125	UPL Group 10p	125	.....	L2.41	2.8	2.6	18.7
140	103	Unit Group	138	.....	R4.6	2.5	4.6	(9.9)
85	85	Video Tape Recording 5p	85	.....	L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- §§ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	.....
Craig & Rose £1	663	.....
Finlay Pkg. 5p	78	.....
Holt (Jos) 25p	£11⅞	.....

IRISH

Fund 11¾% 1988	£100¾	.....
Nat. 9¾% 84/89	£100¼	.....
Fin. 13% 97/02	£114¾	.....
Arnotts	305	.....
CPI Hldgs	75	.....
Carrol Inds	162	.....
Hall (R. & H.)	107	+2
Heiton Hldgs	45	+1
Irish Ropes	120	.....
Unidare	355	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd.	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	28
Unilever	50
Vickers	18
Wellcome	42

Property

Brit Land	28
Land Securities	48
MEPC	48
Peachey	40

Oils

Brit Petroleum	25
Britoil	58
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24

Mines

Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

FINANCIAL TIMES

Saturday March 5 1988

Baker warns against protectionism

BY LIONEL BARBER IN WASHINGTON

A STRONG warning about the dangers of protectionism to the world economy was issued yesterday by Mr James Baker, the US Treasury Secretary.

Seeking to influence the shape of the forthcoming Trade Bill in Congress, he told the Senate Budget Committee: "We couldn't pick a worse time to resort to protectionism in the United States."

During an up-beat assessment of the prospects for US growth and international economic co-operation, Mr Baker said inflation in 1988 should be little changed from 1987, where it finished on a year-on-year basis at the retail level at 4.4 per cent. He expected a rebound in growth from 2.4 per cent this year to 3½ per cent in 1989.

Mr Baker said February's unemployment figures – announced yesterday and, at 5.7 per cent, the lowest for a decade – were "very encouraging" and underscored the US economy's continuing strong performance.

Some 14½m new jobs had been created since November 1982, more than Western Europe and Japan had managed in the last two decades, he said.

Mr Baker repeated the thrust of Congressional testimony earlier this week in which he stressed that the US was "price competitive" and any further decline in the dollar would be counterproductive.

Partly out of concern about the record US merchandise trade deficit, Mr Baker has in the past left room for doubt about the appropriate level of the dollar.

Yesterday, he said that booming US exports were reducing the trade deficit and replacing consumer demand as the driving force in the US economy.

"We think that an important impetus to growth this year will come from a further improvement in the trade balance," he said.

Mr Baker again praised Japan and West Germany for their efforts to stimulate their economies, and urged Congress not to pass a protectionist trade bill.

Rod Oram adds from New York: The surge in employment last month, with 530,000 jobs created - more than double Wall Street's forecasts - quickly knocked about 1⅔ points off bond prices, as investors adjusted their economic sights.

The resulting 0.15 percentage point rise in long-term interest rates unsettled the stock market, leaving the Dow Industrial Average down just over 20 points at 2,043 by early afternoon.

Money market economists pointed out a number of less-encouraging aspects of the employment figures, however. They said strong employment gains in retailing might be overstated, average weekly earnings barely increased, and employment in manufacturing grew only modestly.

Overall, though, the eagerly awaited figures, giving the first statistical evidence of the economy's progress in February, were highly positive.

They helped reinforce the view that the US economy will grow at an annual rate of about 2 per cent in the first three months of the year.

US jobs growth, Page 2

Sixth City Technology College to be set up

By Peter Riddell, Political Editor

A CITY Technology College at Middlesbrough, Teesside, the sixth so far to be set up through sponsorship by business, is to be announced by the Government on Monday as part of its wide-ranging inner cities package.

The colleges are being backed by industry and commerce and directly funded by the Department of Education and Science. Their aim is to broaden parental choice, especially in inner-city areas, by providing a high quality secondary curriculum with an emphasis on science and technology.

As part of the Action for Cities presentation by Mrs Margaret Thatcher and several other Cabinet ministers on Monday, the Government will announce the Middlesbrough college and confirm ones at Wandsworth and Thamesmead.

Other colleges already announced are at Solihull, Nottingham and south Yorkshire.

The choice of Middlesbrough is partly to reinforce other Government efforts to help the revival of a region of high unemployment where traditional manufacturing has been in decline.

When the idea of the colleges was first launched by Mr Kenneth Baker, the Education Secretary, in October 1986, the hope was that 20 could be set up quickly.

However, while the Government claims to have firm business sponsors for 20 colleges, there have been problems finding suitable sites in view of the opposition of the mainly Labour-controlled local authorities in inner city areas.

The initial intention was to keep the colleges completely out of local authority control, but ministers now accept that, after the first 20, local authorities will be allowed to set up and run additional colleges.

Additions to the list of urban development corporations are expected to be announced by Mr Nicholas Ridley, the Environment Secretary.

There has been speculation among Yorkshire MPs that one will be in the Sheffield area following recent studies of the regeneration of the Lower Don Valley.

New measures to strengthen crime prevention in the inner cities will also be announced.

Bank intervenes to hold £ down

BY SIMON HOLBERTON

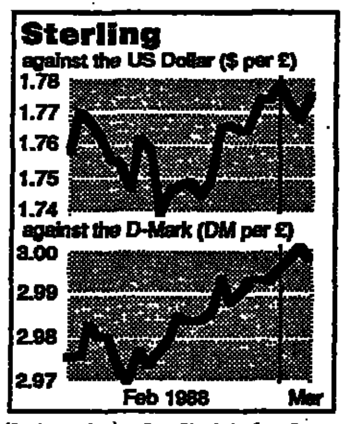
THE BANK OF ENGLAND yesterday intervened heavily in foreign exchange markets to prevent the pound from breaching its unofficial ceiling of DM3.

The Bank has been intervening since the middle of the week to achieve this, but yesterday it was estimated to have bought foreign currency worth more than £1bn to stem the pound's rise.

City analysts said the extent of the intervention brought into question how long the Government could resist the market's pressure to see sterling rise higher.

Last year, currency market intervention – as part of the Government's responsibilities under the Louvre Accord reached in February 1987 by leading industrial nations to promote exchange rate stability and prevent the pound's appreciation – added about $20bn to Britain's official reserves.

Large-scale intervention, however, poses a policy dilemma for the authorities by temporarily fuelling monetary growth. The



DM3 ceiling also limits the Government's ability to curb rapid growth in credit by raising interest rates.

Dealers said most of the Bank's activity in the market was concentrated in the morning. The pound later stabilised and closed at DM2.9975 against a close of DM3 on Thursday. The Bank sold sterling through foreign exchange brokers and clearing banks, dealers said.

There is a widespread expectation in foreign exchange markets that sterling will come under further upward pressure next week ahead of the Budget on March 15, because of the attraction to foreigners of sterling investments compared with those in other markets.

The Government has been successful in convincing foreign exchange markets that it is committed to a stable exchange rate against the D-Mark. It has been equally forceful in saying it would not allow sterling to depreciate if industrialists acceded to excessive wage demands.

The market views the pound, because of the UK's higher interest rates compared with West Germany and the commitment of stability against the D-Mark, as a more profitable currency investment.

The pound closed at $1.774 compared with $1.768 on Thursday. The Bank's trade-weighted sterling index was unchanged at 74.8.

Panama forced to close banks

BY ROBERT GRAHAM

THE EMBATTLED regime of Panama's strongman, General Manuel Antonio Noriega, was yesterday obliged to close all banks indefinitely because of a shortage of dollars.

US-backed moves to remove the general have heightened tension and have led to a run on deposits. The difficulties faced by the general have been compounded by legal action taken by ousted President Eric Arturo Delvalle to block Panamanian assets in the US. Because of this, funds requested by Gen Noriega from US banks have not been handed over.

Closure of the banks, which could damage foreign confidence in Panama as a financial and services centre, was ordered as the opposition protest movement, The Civic Crusade, called off a week-long strike because of its damaging effect on the economy.

Panama has no central bank and the dollar is the local currency – a fact which in such circumstances makes the financial system vulnerable. The Banking Commission, which oversees the banking system, spoke yesterday of an "unusual" demand for dollars that had left an insufficient amount "for the normal functioning of the national banking system."

Reuters reported the semi-official Banco Nacional de Panama as saying the closure would continue "until the funds in the US are unfrozen."

Earlier this week, the Banco Nacional requested $10m (£5.6m) from the Republic National Bank in New York. However, delivery was blocked by legal action – taken with the overt encouragement of the Reagan Administration – by Mr Juan Sosa, the Panamanian ambassador in Washington who remains loyal to the ousted president.

Similar action to prevent the transfer of funds to Panama was reported to have been taken against three other banks.

Republic National's refusal to transfer the money was swiftly challenged by lawyers acting for Banco Nacional, which is supporting Gen Noriega.

Boeing's 737 breaks 2,000-sales barrier

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING's 737 short-to-medium-range aircraft has become the first jet airliner in the world to notch up more than 2,000 sales, with an order yesterday from US Air for 50 twin-engined 737s and an option on another 30.

The deal, worth $1.5bn (£846m) initially and rising to $2.5bn if the options are converted into firm orders, lifts total sales of the 737 to 2,001 aircraft, not including options.

The previous best-selling jet airliner was the Boeing 727 tri-jet, with 1,831 built.

US Air is one of the leading US airline groups, and includes Piedmont Airlines and Pacific Southwest Airlines. It is already the world's biggest single user of the 737, with 85 in its fleet before the latest order.

The airline has ordered 20 of the Series 300 737s. The remaining 30 aircraft ordered will be either 150-seater Series 400 or the smaller 108-seater Series 500s, details of the mix not having been decided yet.

The first of US Air's jets will be delivered in April next year, with further deliveries through to 1991. Engines for all the aircraft will be Franco-US Snecma-General Electric CFM-56s.

City bods urged to make a killing

By Ralph Atkins

RIGHT, YOU 'orrible lot of City workers, you ain't at your posh City desks now, this is the army speaking.

The Rt. Hon. The Lord Mayor of London, Sir Greville Spratt, no less, says he wants you signed up. Not in the regulars, you understand, none of your wild ideas like that, but in the TA.

"What's that?" I hear you say. It is the Territorial Army – two-week training camps every year, weekend courses, square bashing once a week, that sort of thing.

What Sir Greville has done is invite your bosses, the top dogs at 100 big City companies, to a bash at his place in the Mansion House on Monday night. He wants them to be "more flexible," and let you have time off to train.

It is part of a national plan which is going to be launched later this year to expand the TA. The reserves, you see, make up a large part of Britain's defences. There are about 90,000 men and women in the TA compared with 140,000 in the regular army.

Sir Greville has been a regular himself. You know – Coldstream Guards, served in Palestine, that sort of thing.

His guests will see a video on what army training can do for employees. It has got captains of industry like Sir David Nickson, president of the Confederation of British Industry, and ordinary bods saying how it makes them fitter people and better leaders.

Damn good video, if you ask me. Nice bit of rousing music from the 1812 Overture and film of young managers swinging across assault courses in Wales.

You might be used to flash cars, big salaries and high-powered jobs but you'll make good soldiers. If you've no previous experience in the forces, though, you'll probably have to be under 32 to join.

Sir Greville gave me this example. There is a TA Intelligence and Security unit in the City whose job is to gather information and present it so it can be used to exploit the enemy. If that is not a description of an investment analyst, I don't know what is.

He is keen to get people from overseas companies based in the City and there are going to be people from US, Japanese and Australian companies there on Monday night. But you have to be a British citizen to join up. Otherwise "you could quite possibly be on the wrong side," says Sir Greville.

Look what you could be doing if you joined up. There is the infantry, parachute regiment, medical corps (useful for learning first aid), the Royal Electrical and Mechanical Engineers or even the Special Air Service regiment.

A weekend is planned in Sussex this September for people who want to try out the TA, and to make it sound like a military operation, it's called Exercise Executive Stretch.

I've saved the best bit for the end. They pay you good money in the TA – the same rates as regulars. Men get £14.08 a day as a private, rising to £46.45 as a major. Women get slightly less.

If you complete your annual training and get the thumbs-up from your commanding officer, you're paid a tax-free bounty ranging from £40 to £455. With the stockmarket in the doldrums, that's not a bad investment, is it?

THE LEX COLUMN

Enjoy it while it lasts

In a sense, the London market's euphoria is perfectly understandable. Equities in Europe, the US and Japan have been strong, volume in London has been building up, and, with the FT-SE100 breaking through 1,800 in the last account before the Budget, it was plainly time for fund managers to come off the fence. Yesterday's volume was the highest of the year so far – a touch ahead of January 26, the day the index failed to make 1,800 for the fourth time in a row. Much more of this, and stockbrokers will start thinking of their bonuses again.

Another apparent bull point has been sterling. It was readily foreseeable that, after the worst trade figures in Britain's history and a collapse in the oil price to under $14, the authorities would have to intervene on the currency. It was less predictable that they would be holding it down. For days, sterling has been hard against the DM3 ceiling, and the market plainly reckons that there is no scope for a rise in interest rates. Until the Budget it may be right; but if the trade position worsens thereafter, Mr Lawson could always resolve the dilemma the tough way and break the DM3 barrier.

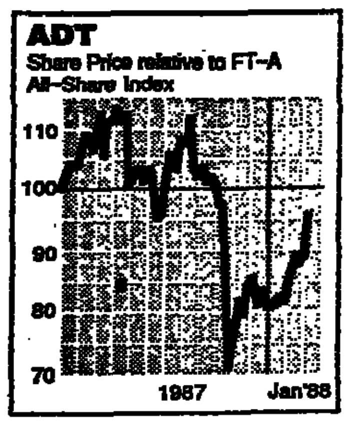
All this has tended to distract attention from the fundamental business of corporate earnings, just as full year figures for UK industry are flashing onto the trading screens. There is the usual divergence between brokers' analysts and economists, with the former still looking for 15 per cent earnings growth this year and the latter for 10 per cent. But there is another more immediate divergence in the air – between those who are prepared to run the market up to 1,900, and those who will go for 2,000. Both camps are united on one thing: the rally is not to be trusted.

Standard Chartered

The abrupt departure of Standard Chartered's chief executive comes at a low point in the bank's fortunes. The forthcoming full-year figures will again show the stretched nature of the balance sheet, and, since the sale of the US subsidiaries is only a partial remedy, one assumes that a rights issue is inevitable. Bringing over an official from the Bank of England is an unusual step, but it should help to inspire the shareholder confidence necessary to get the issue away.

The move also illustrates the curious way in which the Bank is now providing managerial talent to the financial system at large:

FT Index rose 15.1 to 1478.7



first Sir Kit McMahon at the Midland, then Mr David Walker at the SIB, now Mr Galpin. The transition to commercial banking after a life spent in the cloisters of Threadneedle Street will presumably not be easy, and Standard has a particularly refractory group of minority shareholders to deal with. But then, experience at the Midland suggests that clearing banks may be best run by outsiders after all.

ADT

Hawley may have changed its name to ADT, but its results are almost as impenetrable as ever. For all the divisional and geographical breakdowns, it remains impossible to assess how much of the growth is organic and how much led by acquisition. But at a guess, underlying growth is slowish, given the good results from its two large new purchases and the currency gain in translating UK earnings into dollars.

However, the big message from Mr Ashcroft this time is not so much the quantity of earnings as the quality. British Car Auctions is apparently a counter-cyclical business, whereas the original ADT promises stability through its wide customer base and the length of its contracts. British investors, who have recently given ADT a tentative re-rating, will probably want to see evidence of that quality before giving it another one.

This may not matter: it is not UK but US investors who will control the company's rating in the future. They seem naturally more disposed to Mr Ashcroft's style, and have no grudges to bear over the company's more distant past. Moreover, since comparable companies in the US seem to be on a higher rating, the UK ownership of Hawley could dwindle in line with its shrinking contribution to profits when ADT finally clinches its New York listing. That could suit Mr Ashcroft, who appears to be planning only a short holiday from making big deals, and so far has found US investors more willing to pay.

Takeover Panel

The Takeover Panel's emergency new guidelines for assessing the result of bid battles go a long way to ensuring that the Blue Circle/Birmid Qualcast mix-up will never happen again. Hoare Govett's incompetence has proved that stockbrokers cannot be trusted to add up purchases; in the future the responsibility will rest with the receiving banks, which are much better at that sort of thing anyway. Meanwhile, the requirement that companies supply more up-to-date shareholder lists will make it more difficult for shareholders to accept for shares to which they do not yet own title. The more drastic step of counting only acceptances accompanied by a share certificate will be considered by the experts, as will the question of independent scrutineers. However, both measures would seem unnecessarily violent cures for a problem which arises only in the rarest of cases. Indeed, the working party could do worse than write the interim measures into the rule book and call it a day.

Marks and Spencer

Condemnation of Marks and Spencer's proposed purchase of Brooks Brothers seems to have gone a touch too far. The 3p gain in the shares to 180p yesterday still leaves them below the pre-announcement level despite the rise in the market since.

Estimating the dilution in M and S's earnings should the deal go through is difficult, given the minimal information available on Brooks Brothers – M and S is clearly extremely frustrated that its confidentiality agreement with Campeau prevents it from telling what it knows – but it is probably insignificant. Nor is it simple to put a value on the property agreement with Campeau, included in the $770m price. But that would give M and S. now virtually unknown in the US, the same clout in getting sites it enjoys in the UK. And since M and S is determined to expand in the US one way or another, shareholders will be better off if it wins its first choice.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Amstrad	164	+ 8
Barclays	523	+ 10
Blue Circle	460	+ 12
Brit. Aerospace	360	+ 17
Costain	319	+ 8
Enterprise Oil	315	+ 13
Etam	275	+ 9
Grand Met.	503	+ 13
Hillsdown	305	+ 7
Johnson Matthey	273	+ 19
Kleinwort Benson	375	+ 15
Legal & General	289	+ 7
Lex Service	352	+ 12
Morgan Grenfell	268	+ 10
Norcros	427	+ 18
Parker Knoll	845	+ 20
Pressac	183	+ 10
Reed Intl.	442	+ 11
Rothmans B	427	+ 14
Royal Ins.	434	+ 12
Trusthouse Forte	249	+ 9
Warburg (S.G.)	339	+ 11
Whitbread A	301	+ 8½
Williams Hldgs.	294	+ 10
FALLS		
Tr. 11½% 2001-04	£115⅞	− ⅝
BSG Intl.	62	− 4
Centreway Trust	170	− 10

WORLDWIDE WEATHER

[illegible]	[illegible]	[illegible]	[illegible]

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder. † Noon GMT temperatures

Coal Continued from Page 1

The board conceded in court the existence of a contract for the supply of a minimum of 600,000 tonnes a year to Cockenzie, and the judge, Lord Prosser, said there was a reasonable prospect of British Coal being able to prove its case in relation to Longannet, although he could see considerable force in the board's counter-argument.

He said that if the contracts to supply the two power stations were broken, the effect on the Scottish coal industry would be "catastrophic and irreversible." Cogent reasons had been put forward for granting an interdict.

Standard Chartered Continued from Page 1

been read as implying that Standard orchestrated an unlawful share support operation in fighting off the Lloyds bid.

The article led to a Bank of England inquiry which cleared Standard of any wrongdoing. The FT said it had intended to convey only that there were important questions to be answered, but it accepted that the article implied Standard had in fact been guilty of unlawful conduct.

Mr Galpin's move to Standard is the second top level departure from the Bank of England in a week. Last week, Mr David Walker, another executive director, accepted the chairmanship of the Securities and Investments Board, the umbrella body for City regulation, in succession to Sir Kenneth Berrill. In 1986, Sir Kit McMahon, the deputy governor, left to run Midland Bank.

A successor to Mr Galpin was not immediately named. His job is one of the most important in the Bank, with responsibility for the soundness of the entire UK banking system, and the administration of the new Banking Act. Possible successors include Mr Peter Cooke, an associate director who handles international banking regulation, and Mr Brian Quinn, head of the banking supervision department.

Clive Wolman writes: In the City last night, stockbroking analysts and an institutional investor with a Standard stake, believed yesterday's news would have an adverse effect on the share price when the stock market re-opens on Monday.

The main reason for pessimism about the bank has been a succession of unexpected announcements about its losses and declining credit rating since the New Year, including a C$90.9m (£41m) loss suffered by its Canadian subsidiary, announced in January.

Hoare Govett Continued from Page 1

racy" in the count. It accepted that the firm's error was not deliberate and said Hoare reported the mistake as soon as it was discovered.

Yesterday's rebuke was made exactly one year and a day after panel members had said that Hoare had unintentionally breached the Takeover Code when it bought shares in Birmid on behalf of another client, Hepworth Ceramic.

Mr Laurie Comer, director in Hoare's corporate finance department, said yesterday's report was fair.

Blue Circle's initial claim that it owned or controlled 50.01 per cent of Birmid's shares – 0.5 per cent more than it actually had – stemmed from two factors. Hoare double-counted a block of 44,775 shares and National Westminster Bank, Blue Circle's receiving bank, included 338,181 shares in the total for which the owner, Royal London Mutual Insurance, did not have the necessary certification.

WEEKEND FT

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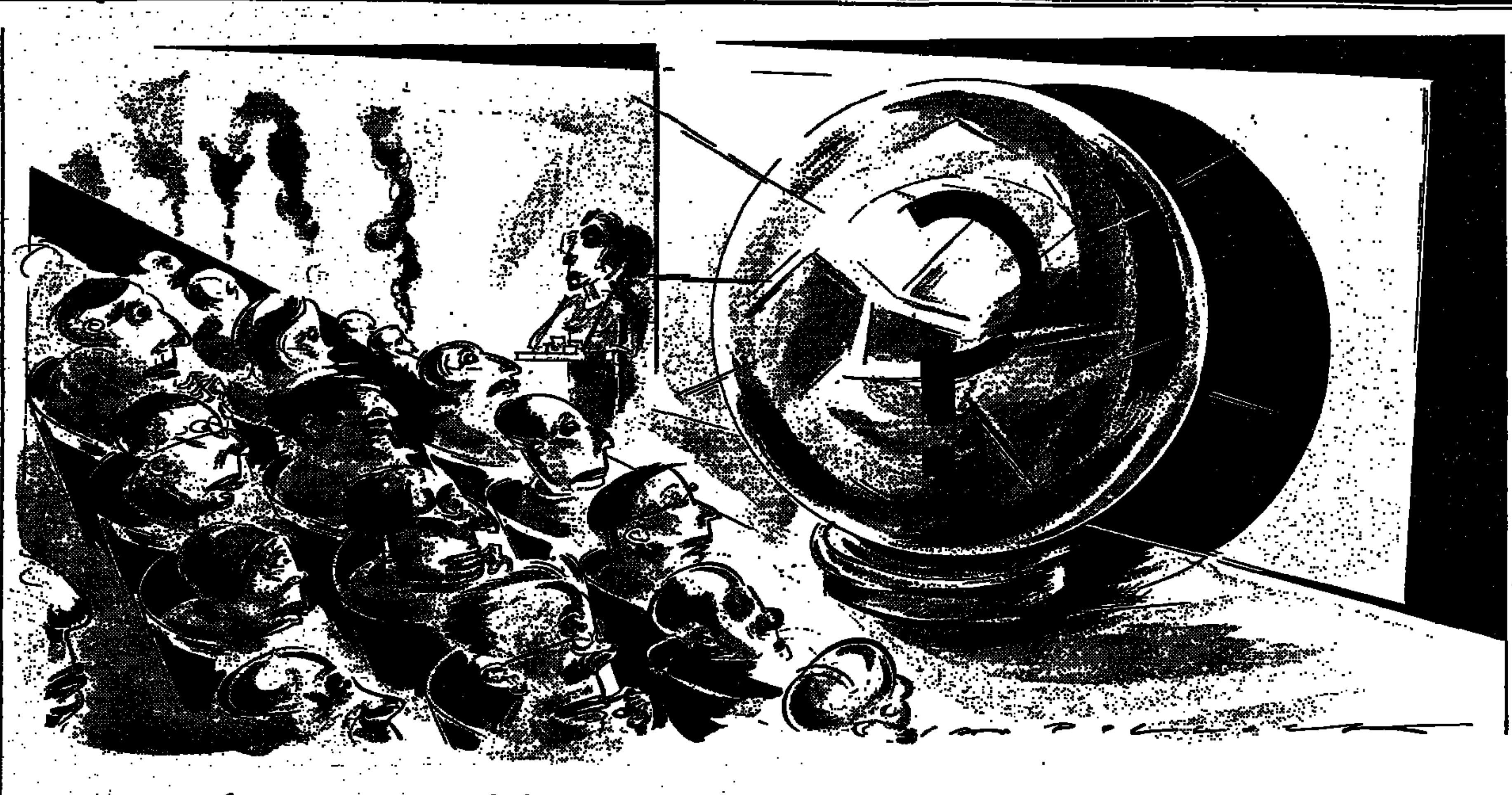

The celluloid revolution

Nigel Andrews previews the technological challenges facing Hollywood's film industry

The cinema is an excitable industry. Sometimes, in its hunt for novelty, it seems to go through as many revolutions per minute as a gramophone record. Year by year, almost every film-maker, every studio, every industry pundit takes turns to loud-hail the coming of a New Age.

But for once, revolution may *indeed* be just around the corner. 1988 looks to be the most promising year for upheaval in a long time. Everyone I spoke to in a recent visit to Hollywood – from film directors to studio chiefs – is feeling anxiously excited about the present and eager to take part in crystal-ball gazing about the future.

The major difference between movies today and movies in the past is the way we see them. Once upon a time the only way to see a feature film was to go to a movie-theatre with 1000-odd other people and gaze up at a giant screen. Today you can see films on TV, video or cable, as well as in cinemas that range from big showcase theatres to smaller-screen multiplexes.

John Daly, head of Hemdale Films, who produced *Platoon*, *Salvador* and other high-impact movies of last year, outlines the mathematics of this new era: "The cost of film and of marketing that film in cinemas today is such that you have to rely on the ancillaries: cable, video and television. The movie industry can no longer survive just on having theatrical hits. You have to keep creating new technologies, which can bring in further revenue and offset the enormous cost of making a feature film."

But is this landscape of multiplying media a brave new world or a bewildering one? For today not even the movie, let alone its venue or "delivery system," remains constant. A video version is often different from a big-screen version. And TV and airline versions can be different still. Often drastically cut and cleaned (of bad language or explicit sex and violence), they can end up bearing little resemblance to the director's approved theatrical version.

One film-maker who has run into this trouble is British-born Tony Scott. He directed the money-spinning *Top Gun* and last year's top box-office hit *Beverly Hills Cop 2*. I re-saw the latter on a TWA flight, shorn of 10 minutes from its London release version not to mention every 4-letter word.

"I don't like the fact that a film gets out of our control so early on," says Scott: "that it goes into video, cable or TV and you can't control the length, the language, the commercial breaks, even the shape of the screen. I'd like to get it in my contract – one day maybe I'll have the power – that there is a time-frame before the film can be released in another form than that made for the cinema circuit.

"The problem, though," he goes on, "is that the facilities that have been designed for home viewing are actually – I hate to say – better than a lot of the movie cinemas you go to. In terms of big 6-foot screens and stereo sound. The sound in a well-equipped stereo-home is now better, I'd say, than in a majority of cinemas across America."

Britain's Alan Parker, now based in Hollywood, echoes Scott's ambivalence about the proliferation of new media.

"Without doubt the best way to see a film is on a large screen with wonderful sound," he says, "and to share that with an audience. But only a certain percentage of your audience go to see a film that way. Many, many people see it because of video, cable or whatever. And that's fine by me. A film like *Birdy*, which had a very limited cinema release in Britain, was seen by far more people on video than in movie theatres."

Video, like TV and cable, has undoubtedly increased the audience for any feature film. But more remarkably, video is also, according to commentators and statisticians, putting audiences back in front of the cinema screens.

Certainly America, like Britain, is now experiencing a marked upsurge in moviegoing. Last year's USA box-office receipts rose by 4 per cent over 1986's, and broke the all-time record established in 1984. And the growth of multiplex cinemas, giving filmgoers a multiple choice of movies at the same venue, is a clear front-runnner among causes for people's return to the cinemas. Los Angeles has just welcomed the largest multiplex in the world – an 18-screen honeycomb holding sway in Burbank City – and 20-plus-screen venues are planned for the near future on both sides of the Atlantic.

The problem which many movie people see in the rise of the multiplex is that the experience it provides, with its cosy auditoria and smaller screens, is all too interchangeable with home viewing. Once High Definition Video enters people's homes – and its arrival has been given the green light by the recent accord on a common screen standard (1125 lines) between Japan and America – its quantum leap in picture quality will probably mean that the old tug-of-war between TV and cinema will once more pull TV's way.

On the cusp of that development, it seems only a matter of time before movies have to play once more their old trump card of size and spectacle.

At present two big-screen processes are battling it out in America for the "showmanship concession." The lesser marvel is Imax: a wall-to-wall giant-screen system whose possibilities, like Cinerama's before it, seem mostly limited to glorified travelogues or films about people shooting rapids.

The other system, much more talked-about in Hollywood today, is Showscan. This could be the movie process for the 1990s and beyond. The system was invented in the late 70s by Special Effects expert Douglas Trumbull (of *2001* and *Close Encounters of the Third Kind*) and the industry has been quietly buzzing with its splendours ever since. The large cost of developing cameras and projectors, not to mention converting cinemas, has kept it off public screens till now: save for the odd theme park or world fair. But there are murmurings of a "break-out" this year.

The show-reel I saw at Showscan's headquarters in Culver City is among the most exciting 20 minutes I can remember ever spending in a movie auditorium.

First, guests were told about Showscan's basics by the company's President of Production Peter Beale. Unlike normal 35-mm film, which projects 24 frames per second, Showscan is shot in 70-mm and screened at 60 f.p.s. The $2\frac{1}{2}$ times greater speed produces images of unprecedented clarity (Beale assured us) with none of the "flicker" of normal film.

There was only one problem, he said, at our screening. The projectionist was new, and would we please bear with him. Exit Beale. The lights dim. On the huge screen, unpromising blotchy footage of a desert unspools. Then – calamity – the film sticks and burns in the projector. Lights come on in a room behind the screen, where the flustered operative is rummaging around among film cans and machinery, apologising aloud to us. He sticks his face into the screen, crinkling it. He wonders what he should do. The man is clearly a fool.

Soon he stumbles upon a large console and starts experimenting with switches. With each new switch he flicks, the screen is engulfed in a few dazzling feet of film. A soaring helicopter shot of the Rockies: a lifeboat at bay in a stormy sea: a fairground rollercoaster. These are filmed with a size, brightness and creamy clarity that make normal film seem like the stammerings of a Brownie camera.

But the true proof of Showscan's vividness is that *everything* we have seen so far has been on film. Even, incredibly, the stumblings of the projectionist and the face pressed into the screen. When was a movie audience last fooled thus? Not, I suspect, since the last great technologicical breakthrough, when Al Jolson spoke to his Mammy and the whole audience looked around them, wondering where the voice had come from.

So why has Showscan taken so long not to be taken up by the movie industry? Peter Beale has a ready answer. "It took six years from the invention of the sound system to get sound films made. It took thirteen years from the invention of the zipper to get it on men's trousers." Point taken. But are there *signs*, at least, of Hollywood embracing Showscan?

Beale told me an announcement of coming feature films was imminent, and that there was firm interest from Columbia and Paramount. So off I went to those studios. Outgoing Columbia president was our own David Puttnam. There was little doubting his enthusiasm for Showscan.

"We saw it about a year ago, when Columbia was in great financial trouble. It seemed to us the way movies were going to go: the system that the man who invented Cinerama was dreaming of and couldn't do. So we put a significant amount of money into it, enough to help them do a full public flotation, and Showscan is now in rather good financial shape. We also mounted a PR campaign, going round the exhibitors, saying if you agree to re-equip your key theatres, Columbia will make the first Showscan movie."

The built-in problem with Showscan, as its detractors point out, is its cost. It will add anything from 500,000 to 3 million dollars to a film's budget to shoot in Showscan. And theatre conversion could cost in the region of 200,000 dollars per auditorium.

Ned Tanen, president of Motion Pictures for Paramount, is another Showscan enthusiast, but a more cautious one.

"It's a wonderful process. We're currently thinking of doing it with two movies. But frankly it comes down to two things. One, how much will it add to the budget? Two, are theatre owners going to go along with us and share some of the expense? Somebody has to stand up and put the money on the table. If we're going to do a movie like *The Hunt For Red October*, which we'll probably make in '88 and which would be great in Showscan, we have to make sure it makes financial sense and we're not doing it as some kind of a lark. That we'll look at each other in two years' time and say, why on earth did we do that?"

What about Columbia's idea, put to me by Puttnam, of a limited release in special Showscan theatres, followed by a wider exposure in 35-mm venues?

"Initially, it would have to go that way," says Tanen. "Because you can't expect 1500 to 2000 theatres in this country, say, to suddenly put up the money and go over to Showscan.

"What you try and do," he continues, "is give audiences another dimension to going out to the movies. That's the whole purpose of it. But remember, you've seen Showscan in ideal conditions. I don't know what that would mean when you see it in a theatre in Manchester, with Coca-Cola stains on the screen and speakers that aren't terrific."

The conclusion seems to be that Showscan is being moved with painful slowness from the back burner to the front in Hollywood. But it could be a year or more before movie audiences see it. And some studios do not seem interested in joining in. "It's a great leap forward," said Mike Medavoy of Orion. And does the company have a Showscan film planned? "No."

Film directors, by contrast, see two excitements in Showscan. As a visual experience, both Alan Parker and John Boorman have sung its praises to me over the years and both are keen to shoot in the process. And Tony Scott sees it as a way of propelling cinema into the next epoch.

"I would love to make a Showscan movie. There has to be a future in these systems, because time moves on. We can't just stay with cinema as it is."

Puttnam, too, thinks there are times when the cinema should make a leap of faith.

"I have a feeling it's an interim technology. But I think we should take a chance on it, because one of the great appeals of cinema is the roadshow capability, the very special events. At Columbia we were all convinced that if you've got a wonderful theatre in Chicago, say, with a very good movie, people will drive 30 or 40 miles and book up two months ahead. We were prepared to gamble heavily on that."

The roulette wheel of cinema's future is spinning. And it will keep on spinning, says Hemdale's John Daly, though the next number it falls on is anyone's guess.

"You have to keep creating new technologies. You have to. After 80 years, we still go around to cinemas with twelve cans of film. It's a very outdated way of operating. You'd think with all the technological advances, cinemas would be equipped with some "receiver" which would do away with such a cumbersome, expensive system. I don't think we'll ever do away with cinemas, but it'll be interesting to see what the 90s bring in terms of other outlets for receiving films. I suspect you won't be able to escape them. They'll be on wristwatches, in cars, in the bath. . ."

And the poor old film-maker? What about his plight in trying to keep his work in one piece amid the multiplying media?

"I don't think," says Daly, "that the talent will be able to control how the product is exploited unless, or until, the talent actually finances the picture. Which I don't think is going to happen in my lifetime."

That dream is for the next millennium.

The Long View

Curbing the itch to return to equities

Managers of pension funds and insurance companies have about £23bn they don't really know what to do with. Does this mean that corporate bonds will, at last, start to appeal, asks Barry Riley.

IMAGINE HAVING £23bn, or thereabouts, and not having a very clear idea of what to do with it. That is roughly the position of the pension funds and insurance companies as they contemplate the investment of their projected 1988 net cash inflows.

Since last October's equity market crash the soft option has been to allow liquidity to pile up. At the end of September the typical cash holding of a pension fund was probably 3 per cent of its total assets, now it could be more like 6 or 7 per cent. No wonder the managers have been itching to move back more heavily into the equity market, and this week the Footsie index at last broke up through the 1800 level.

But the story behind the October collapse was one of a build-up in equity exposure to previously unheard-of levels. By the end of the third quarter of 1987 the average pension fund probably had 78 per cent in equities (say, 60 per cent UK, 18 per cent overseas>. The big nationalised industry and leading corporate schemes probably had less, the more aggressively-run schemes managed by merchant banks and independents had anywhere between 80 per cent and 90 per cent. They will not want to make the same mistake again.

There has been a dramatic change in the structure of pension fund portfolios in the past ten years. In 1978 the average fund had only 50 per cent in equities. There was 30 per cent in gilt-edged and debentures - now only 12 per cent or so - and 15 per cent in property, which has slipped to less than half that.

Now, these proportions only partly reflect the conscious decisions of fund managers. When you look at investment institutions in the aggregate they necessarily are holders of the assets that happen to be available. In the late 1970s the Government was a prodigious issuer of gilt-edged in order to fund its huge budget deficits, so it is scarcely surprising that much of this paper found its way into institutional funds.

In a roughly similar fashion, the equity indigestion of 1987 was mostly the result of the excessive pace of new issues. Company issues reached a phenomenal £14½bn in 1987, with some £12bn of that bunched between July and November. How different it is this year. Corporate issuers are scarcely to be seen. There is still scheduled to be £5bn of privatisation issues, including the last instalment on British Gas and the flotation of British Steel, but this scarcely solves the problem.

As for gilt-edged, well, you should have noticed by now that the public sector is moving into surplus. The precise demand for finance will depend on factors like the volume of currency intervention. But Greenwell Montagu estimates that gross sales of gilts will shrink drastically this year, from £14bn in 1987 to £5bn.

Elsewhere, it is plain that the property sector is going to be busy in 1988. For years, investment property has been dismissed as a leftover inflation hedge of the 1970s, but with a 20 per cent return it quite unexpectedly turned out to be the best-performing asset class of 1987, by dint of winning a tortoise and hare race against equities. It looks as though anything up to an extra billion could well go into property this year. Again, however, that will not make much of an impact on cash flow; and a few pension fund trustees might want to know why the funds were actually net sellers in the first half of last year of such a retrospectively attractive investment as property.

What about the rest of the £23bn? The capital markets abhor a vacuum, and it is for sure that some type of asset or other will rise up to fill it. A rerun of last year's equity market balloon can surely be ruled out on the basis that many institutions will be reducing rather than increasing their equity exposure. So the question arises of whether we will at last see the window opening for corporate bonds.

I know that this particular asset class has been prematurely tipped for revival down the years even more often than the Rover Group – and its variously named predecessors – have attracted over-optimistic merger partners. Remember that as recently as twenty years ago corporate debentures accounted for 20 per cent of pension fund assets, compared with 2 per cent now. Arguably the revival has already begun, with a burst of issuing activity in the Eurosterling bond market. Sterling Eurobond issues by UK borrowers doubled to £3.5bn last year. Yet there are worries too. Residual fears of inflation are being fanned by the acceleration of earnings growth and the sharp deterioration in the balance of payments; these are the old curses of the British economy which helped to undermine the appeal of corporate bonds back in the 1960s.

Much will depend, too, on whether the merchant banks can design new corporate bond products which can appeal to the modern generation of fund managers as well as treasurers. An important point here is that the borrowers are more likely to be upstart house mortgage repackagers than traditional industrial companies. Nothing could be more welcome to the Bank of England than a securitisation of mortgage debt, the short-term financing of which has been causing the money supply to soar embarrassingly out of control.

What could get the process rolling? Clearly, the signals in Tuesday week's Budget will be important. Tax cuts are never music in the ears of bond investors, and a strong anti-inflationary line is what they want to hear. If the consequence is a slight rise in short-term interest rates and a firming of sterling, to the horror of industry, the bond markets will not mind for long.

The Grand Old Duke of York performed heroically for the Government on several occasions in the 1970s when interest rates had to be jacked up so that gilts could be sold on the way down again. Perhaps he should be dusted down and brought out for another – albeit short – ride up the hill. This time, however, his lordship would be carrying the banner of the private sector.

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Bold bids help market hark back to happiness

BEAR MARKET? What bear market? After months of languishing in the doldrums, the London market finally took off this week in a manner reminiscent of those innocent, long-lost days before last October's crash.

The FT-SE 100 index broke convincingly through 1,800, closing above that psychologically significant level for the first time since October 22 and the volume of equity trading improved markedly from its recent dismal levels; there was a rush of good results from blue chip companies; and, to cap it all, the week brought forth two bid proposals quite as astonishing as anything seen at the height of the bull market.

One is the extraordinary takeover approach made by British Aerospace to Rover Group, the Government-owned motor manufacturer. The other is a $1.3bn (£735m) bid by C.H. Beazer, the building products group, for Koppers, the second largest aggregates group in the US, to be financed off balance sheet with junk bonds.

Several factors have combined to produce this sudden burst of market optimism. In part, London has simply been following the lead set by New York. The Dow Jones Industrial Average also reached a post-crash peak this week before yesterday's wobbles, which also took London off from its best. At home, the Budget on March 15 has finally started making an impact on equity prices. The Stock Exchange account which spans the Budget begins on Monday, and institutional investors, after committing precious little cash to equities in recent weeks, have finally begun buying over the last few days in anticipation of a pre-Budget upward run in the indices.

Even the announcement on Monday of a record current account balance of payments deficit in January – £905m – had remarkably little impact on the market. This was largely because the figures were deemed to be erratically high, though they did underline continued fears of economic overheating, and will increase the pressure on Mr Nigel Lawson, the Chancellor, to limit the size of his budget tax cuts.

London

But most domestic economic indicators still present a robust picture: despite the trade statistics and a drop this week in North Sea oil prices to below $14 a barrel, the pound is very resilient, bumping up hard against the DM3 level. There seems little or no chance of a further rise in base rates ahead of the Budget, and the yield on long-dated gilts has fallen over the past two weeks from around 9.30 to around 9.16 per cent.

Several analysts are now predicting a good run on the FT-SE 100 up to 1,900 or more. But the more interesting question is whether a rise could be sustained thereafter. Many investors, still smarting from October's crash, are likely to use any rally as an opportunity to sell. The current rally could turn out merely to be the long predicted bounce back from Black Monday, before a bear market sets in in earnest.

Against that argument, however, is the evidence that so far the UK economy has shrugged off the crash of '87. As Mr Robin Leigh-Pemberton, the Governor of the Bank of England, put it on Monday: "There is little sense of any hard landing; or indeed of any landing at all."

That view was echoed by several of the companies reporting this week. Unilever, the consumer goods multinational, said it saw no signs of recession as it reported a 16 per cent rise in annual pre-tax profits, to £1.33bn, and confidently forecast strong growth in 1988. Williams Holdings, the highly acquisitive consumer and building products group, put out the same message as it announced 1987 taxable profits up from £23m to £57.2m.

The more optimistic tone was reinforced by several sets of surprisingly good figures: STC, Britain's second largest electronics group, underlined its turnaround from ill-health with a 40 per cent rise in 1987 profits; Commercial Union decisively cast aside its image as the weakest of the British composite insurers with a 43 per cent rise in annual profits to £170.1m; and WPP, the marketing services group which last year took over JWT, the much larger US advertising group, came in well ahead of analysts' expectations, with profits of £14m for 1987.

WPP's bid for JWT was one of the most audacious and high risk trans-Atlantic takeovers of 1987, and C.H. Beazer's tilt at Koppers will surely go down in the same category this year. The British company, headed by the eponymous Mr Brian Beazer, has come very far, very fast. A few years ago it was a relatively small West Country housebuilder. Then it set out on the acquisition trail, moving into contracting – via the 1986 purchase of French Kier – and aggregates. Taking over Koppers (a substantially larger company than Beazer) would transform it into one of the world's largest aggregates producers.

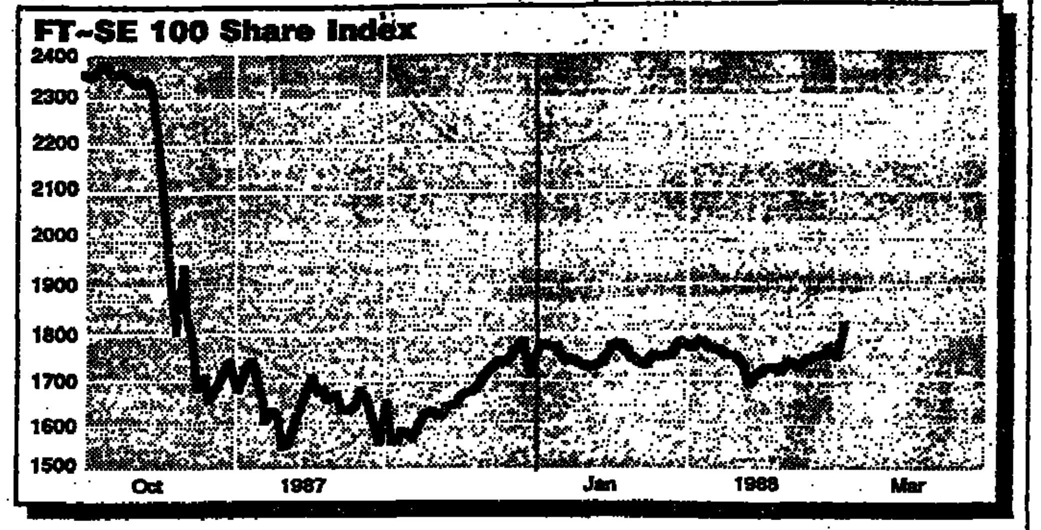
In industrial terms the bid – which is far from assured of success – looks sound enough. What has raised eyebrows is Beazer's financing methods. Long before Black Monday, the market had lost its appetite for the paper issued by the company to fund its expansion, and the crash made it doubly certain that any other big deal would have to be debt financed.

But the Koppers deal involves borrowings of over $1bn, and to take this into its balance sheet would make Beazer's gearing horribly high. To avoid this, it has set up a special joint company with the main banks funding the deal. Beazer will only have a 49 per cent stake in this business, enabling it to keep the debts off balance sheet, even though the banks can eventually force Beazer to buy them out.

From the brazen to the bizarre: British Aerospace's announcement on Tuesday that it was negotiating the possible purchase of Rover astonished the motor industry and alarmed the City: BAe, which is expected to report losses for 1987 and will need large amounts of cash over the next few years to fund its civil aviation programme, is hardly a trouble-free business.

BAe claims there is synergy between the two businesses – in engineering technology, marketing, purchasing and in quality standards. After some hard selling to analysts, the City's initial disbelief was modified to strong scepticism. The final view will obviously depend on the financial detail of any deal, but whatever the outcome BAe has a struggle on its hands to convince shareholders that its thinking is lateral rather than plain loony.

Martin Dickson



Rennie sets the pace

JOHN RENNIE does not look like a former US naval aviator. Balding, rotund and bespectacled, he is chairman of Pacer, the electronics defence contractor, which scooped the award for the USM's best overseas company this week, before announcing good results for 1987 the following day.

Rennie set up Pacer in 1968, after 10 years with the US navy and some experience in the US electronics industry. Observers seemed to welcome the award. "They have gone out of their way to keep UK commentators informed," says Geoff Douglas at Hoare Govett. "It's a good, well managed company."

However, overseas companies – including Pacer – have had a difficult ride on the USM. The shares of Mrs Fields, the cookie company, flopped on issue before recovering, while most, like Pacer, have underperformed for most of the time. The explanation is more than a natural caution on the part of UK investors towards companies whose management is on the other side of the Atlantic. The current pound/dollar exchange rate is little help. In the case of Pacer, the picture is worse as most of its earnings come from US defence contracts.

As Piers Whitehead, an analyst at Flemings, argues: "The underperformance of the shares has nothing to do with the company's financial performance. Pacer has a strong ungeared balance sheet, proven products and a good earnings record. But it tends to be tarred with the same brush as some of the other US companies which have come to the USM."

Nevertheless, Rennie has no regrets about the decision to come to the USM in 1985. "We came to London because the window was shut in the US at the time," he recalls. "A London listing meant lower costs, fewer reporting requirements and less burden on management time. Our exposure here has also increased our chances of winning international contracts.

Pacer announced an increase of 17 per cent in pre tax profits on Wednesday, although it would have been higher without heavy investment in Sea Data, a subsidiary acquired in 1987. For 1988, analysts are looking for around $2.5m, which values the shares on a prospective p/e of nine, which is relatively cheap.

Pacer is intending to reduce its dependency on managing projects for US defence agencies and increase the proportion of earnings from products, which is currently only 18 per cent. The biggest single product is OADS – which stands for the Omnidirectional Air Data Sensor – and is a helicopter airspeed system.

Junior Markets

However, analysts have been disappointed by the seemingly slow progress of BALLAST, a software package which enables a ship's crew to analyse the stability and trim of a ship on a personal computer. This summer, interest in BALLAST perked up, following the sinking of the *Herald of Free Enterprise*.

Pacer's competition in data systems comes mainly from Marconi, one of the giants of the electronics world. "Until recently, we've been the loyal opposition," says Rennie. But as Pacer expands, it poses a more serious threat which Marconi may not tolerate. Rennie argues: "It comes down to which system performs better in an aircraft. We have to be competitive on price, but it isn't the price which matters. If you don't have a system which performs, no-one will even look at the price."

Rennie is unperturbed by talk of cuts in US defence expenditure, because he believes Pacer's products and services are relatively immune. "Talk about the defence budget is a lot of doublespeak," he says. "The 'cuts' are taken from theoretical numbers. The overall market may be flattening out, but it depends where you look. Amphibious warfare is a high priority, for instance."

One USM company which did not figure in the overseas company award nominations was Nimslo, the American loss-making 3D camera company. The company came to the USM in 1981 at 190p, although shares then rose on great expectations for the pocket-sized camera.

The cameras just did not sell, despite price cuts and retailing through Dixons and Boots. Since 1981, Nimslo has reported a loss at almost every set of results. It has had to sell its North American professional portrait operations and more ignominiously, the rights to the 3-D camera to Nissei. Nimslo now relies on royalties, while it processes 3-D prints in Nevada and works on developing a cheaper camera. On Thursday, the shares were suspended at 16p pending the announcement of what is effectively a rescue package by Nimslo's majority shareholder, Fred Olsen, the Norweigan shipping Line. Nimslo will issuing shares to pay for the acquisition of Oil & Gas, another company owned by Olsen. Nimslo's 10,000 or so shareholders will have the chance to veto the deal, but they do not seem to have much alternative.

On a happier note, the USM awards were held on Tuesday evening at the Grosvenor House, amid 500 guests and Caribbean music. Few were surprised when Sophie Mirman, chairman of Sock Shop, was announced USM entrepreneur of the year. Her husband and co-managing director Richard Ross collected her award as she was recovering from the birth of her son

Blenheim Exhibitions won the award for the USM company of the year. Sadly, by the time this was announced, the audience's attention was wearing a little thin after a series of rather long speeches. The evening was an opportunity to recognise the hard work and achievements of some high-quality companies but to some extent, this was lost in a chorus of self-congratulation by advisers.

Heather Farmbrough

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1987/88 High	1987/88 Low	
FT Ordinary Index	1478.7	+55.0	1962.2	1232.0	Optimism ahead of the Budget.
Addison Consultancy	100	+11	209	51	Demerger proposals.
BAT Inds.	462	+32	709	382	Revised terms for Farmers Group.
Burton	258	+22	359	212	Interim figures due March 22.
Christies Intl.	583	+68	744	290	Phillips auctioneers acquires stake.
Costain	319	+31	387	204	Trafalgar House raises stake to 6.3%.
Delta	288	+27½	321	195	Annual results due March 17.
Enterprise Oil	315	+19	351	181½	North Sea drilling news imminent.
Lex Service	352	+32	547	224	Analysts re-rate after annual figs.
Lloyds Bank	292	+27	435	218	Re-rating of sector.
Lucas Inds.	651	+23	795	465	European expansion potential.
Parker Knoll	750	+80	940	417	Interim results due Monday.
Plessey	171	+11	258	127	Stake-building/takeover speculation.
Reed Intl.	442	+32	633	299	Consistent speculative interest
Volex	376	+36	481	227	Takeover rumours.

Looking like a winner

ANALYSTS ARE betting on a surge in profits at LADBROKE, the bookmaking, hotel and DIY group, when the group's preliminary results are announced on Thursday. The favourite forecast is around £157m pre-tax but there is an outside chance of up to £160m, compared with £101m last year.

The company has had a busy year, with the highlight probably the acquisition of Hilton International and the low point definitely the spate of stock market rumours that plagued the company in the summer.

Results Due

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK°								
Deposit account	2.80	2.84	2.14	1.56	monthly	1	-	0-7
High interest cheque	5.00	5.12	3.86	2.81	monthly	1	1,000-4,999	0
High interest cheque	5.40	5.54	4.17	3.04	monthly	1	5,000-9,999	0
High interest cheque	5.80	5.96	4.49	3.27	monthly	1	10,000-49,999	0
High interest cheque	6.20	6.38	4.81	3.50	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	4.00	4.04	3.04	2.21	half-yearly	1	1-250,000	0
High interest access	5.75	5.75	4.33	3.15	yearly	1	500 minimum	0
High interest access	6.00	6.00	4.52	3.29	yearly	1	2,000 minimum	0
High interest access	6.50	6.50	4.90	3.56	yearly	1	5,000 minimum	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	10,000 minimum	0
90-day	6.75	6.86	5.17	3.76	half yearly	1	500-9,999	90
90-day	7.00	7.12	5.36	3.90	half yearly	1	10,000-24,999	90
90-day	7.25	7.38	5.56	4.04	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bond	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issue♦	7.00	7.00	7.00	7.00	not applica	3	25-1,000	8
Yearly plan	7.00	7.00	7.00	7.00	not applica	3	20-200/month	14
General extension	6.51	6.51	6.51	6.51	not applic.	3	-	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	6.11	6.28	4.73	3.44	monthly	1	2,500 minimum	0
Provincial Trust	6.58	6.78	5.10	3.71	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCK§								
5pc Treasury 1986-89	7.47	6.09	5.16	4.40	half yearly	4	-	0
8pc Treasury 1992	9.09	6.88	5.41	4.18	half yearly	4	-	0
10.25pc Exchequer 1995	9.25	6.57	4.78	3.29	half yearly	4	-	0
3pc Treasury 1990	6.94	6.09	5.52	5.04	half yearly	4	-	0
3pc Treasury 1992	7.06	6.18	5.58	5.09	half yearly	4	-	0
Index-linked 2pc§§	7.16	6.61	6.25	5.94	half yearly	2/4	-	0

°Lloyds Bank. †Halifax 90-day; Immediate access for balances over £5,000.♦ Special facility for extra £5,000 §Source: Phillips and Drew. §§Assumes 4.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

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MARKETS

Optimism rules in the land of rising confidence

IN THE weeks after Black Monday, some foreign observers were heard to say that the resilience of the Tokyo stock market was perhaps a temporary aberration. Sooner or later, the theory went, Tokyo had to fall in line with the decline in other equity markets, probably with a nasty bump.

However, the Japanese stock market this week cast great doubt on that argument as prices surged back to their levels set before the crash. The Nikkei index closed on Friday at 25,615.62, up 373 points on the week. The price increase was so

Japan

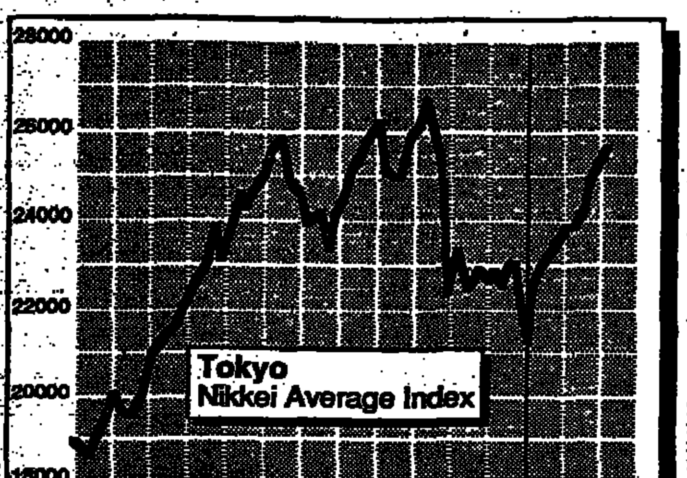
rapid that authorities tried to slow things down by putting out warning signals. The Bank of Japan publicly announced to investors that what goes up must go down, and the Ministry of Finance attempted to dampen speculative activity by launching an investigation into the way in which securities companies promote newly-listed stocks.

As a result, the market ended the week a little quieter than it started – but there was still no doubting the underlying confidence. Volumes were strong, brokers were busy and suddenly a job in the securities industry in Tokyo looked like the best job in the business worldwide. Nomura Securities, Japan's largest stock broker, said yesterday that there might now be a correction after such a sharp increase, but that the market would then resume its strong upward trend.

Others echo that optimism. Mr Hugh Trenchard, general manager of Kleinwort Benson International, a subsidiary of the UK merchant bank, said: "We may see some weakness from time to time but I do not think that we will see another crash, even if this happens in New York and London. People have been impressed with Tokyo's resilience."

There are some strong reasons behind this optimism. The first is technical. This week's performance followed a run of 13 days in which prices had risen. Salomon Brothers, the US investment broker, points out that there have been only 11 such runs since the war - and on average prices have afterwards risen by 20 per cent within six months. There are plenty of investors in Japan prepared to believe that this is more than a coincidence.

Those searching for more tangible support for the market's performance should consider the recent spate of optimistic economic news. Japan's Economic Planning Agency has estimated that for the fourth quarter of 1987, domestic demand grew at an annualised rate of about 7.5 per cent, after 7.6 per cent in the third quarter.



This surge on the home side is continuing to help offset sagging export volumes. Retail sales are strong. Orders to machine tool makers in January were a staggering 45.5 per cent up. Exporters, who have been quick to adjust to life with the stronger yen, are also revising upwards profits forecasts for the current financial year to the end of March. Toshiba, for example, despite its troubles over a Cocom trade violation and sanctions on some of its products by the US, last week said profits would be up by an impressive 46 per cent.

Even worries about inflation have receded since the beginning of the year. Mr Satoshi Sumita, governor of the central bank, who usually never misses a chance to complain about the latent risks of inflation, said last week that prices could well fall in the next few months.

But Japan's stock market was also booming last year, when the economic news was not nearly so rosy. Japan has always been less of a fundamentals market and more of a trend market. These trends have always been difficult for foreigners to accept. Despite the perilous heights of the price/earnings ratios of some stocks, for example, Japanese investors still believe in their market in a way which foreigners find hard to comprehend or trust.

FT-ACTUARIES WORLD INDICES

Country	£ Sterling % change from Oct.19th 1987
Australia	-37.9
Austria	-17.5
Belgium	+17.3
Canada	-2.3
Denmark	-3.8
France	-12.7
W Germany	-19.9
Hong Kong	-32.1
Ireland	-24.1
Italy	-22.2
Japan	+4.3
Malaysia	-28.4
Mexico	-52.8
Netherlands	-7.7
New Zealand	-47.1
Norway	-37.2
Singapore	-28.6
S Africa	-38.2
Spain	-16.1
Sweden	-13.6
Switzerland	-17.3
UK	-12.5
USA	+11.9

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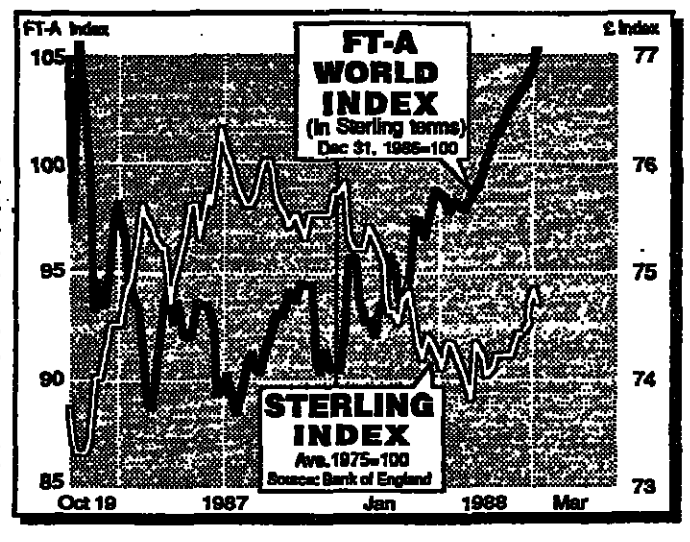
The most consistent support for the rise of the Tokyo market has long been something called "the weight of money." In the days of doom and gloom, however, not so very long ago, foreigners looked at Tokyo and correctly said that money, even Japanese money, can fall out of a market just as fast as it can fall in. But so far it has not – and most people in Tokyo believe that it will not in future.

The reason is simply investor confidence, not just in the Tokyo Stock Exchange, but also in the Government and its ability to keep things working smoothly. The big Tokkin investment trusts were actually created by the Ministry of Finance, for example, to allow companies to realise profits on their stock portfolios without paying ruinous tax bills. But when those profits looked like turning to losses earlier this year, the MoF quickly changed the reporting regulations and let the Tokkins report on the book, not actual, value of their stock for year-end accounting this month.

This sleight of hand alone was enough to provide the confidence to get the ball rolling again. At the same time, however, investors should not forget that Japan remains less dependent on its equity markets than many other countries. The amount of money which is in the TSE already, proportionally, is still not very much compared with the amount saved each year by the thrifty Japanese.



Andrew Smithers, S.G. Warburg's economic guru in Japan, shows in a paper this week on the Tokyo equity market that Japanese open-ended investment funds have only about 30 per cent of their assets in equities and about 20 per cent in pension funds. He points out that Japanese savings are so high and that equities constitute such a small portion of most investors' portfolios that liquidity can be built up rapidly simply by not purchasing new equity holdings and without the need to sell existing holdings.

The Japanese, Smithers writes, save about Y109,000bn – equal to 64 per cent of the total value of the TSE. American savings, for comparison, amount to just 19 per cent of the value of the New York Stock Exchange. Smithers says that the old argument of weight of money is "unusually helpful for forecasting the likely course of the TSE over the next year." He concludes, not surprisingly, that the market's prospects are good and that downside risks "seem small."

The more timid investor, however, might argue that the downside risks are great if he weighs in just before a Tokyo crash. But then Tokyo has never been a market for the timid investor. The best place to get a feel for the TSE, unfortunately for the overseas investor, is still Tokyo. Short of a plane journey, the next best thing still seems to be to follow the Japanese.

Carla Rapoport and Stefan Wagstyl

We've seen it all before

TEXACO IS the subject of takeover rumour. Drexel Burnham Lambert is calling in markers from its junk-bond clients. Mr T. Boone Pickens is besieging a Nevada gold miner. A British company has launched a hostile bid for some stone quarries. Sounds a bit familiar? It is. You saw it all before the crash.

Last week, takeover fever returned to the US equity market with a virulence not seen since last summer. Rumours of takeover, mostly fanciful but many all too accurate, was the main conversation in equity-dealing rooms. Uncertainty about the economy was banished, as it was last summer, to the bond market.

Monday was a banner day. R. H. Macy joined the $6bn battle for Federated Department Stores, Mr Pickens made his $1.95bn offer for Homestake Mining, which is the largest US gold producer, Stop & Shop submitted to a $1.2bn leveraged buy-out and Mr Burt Sugarman offered $1.75bn for Media General. All these bids are in cash, and that is quite a lot of cash to add to the market. The Dow Jones Industrial Average duly took off, with a 48.41 point gain in the course of the day. More important, the momentum carried the Dow

Wall Street

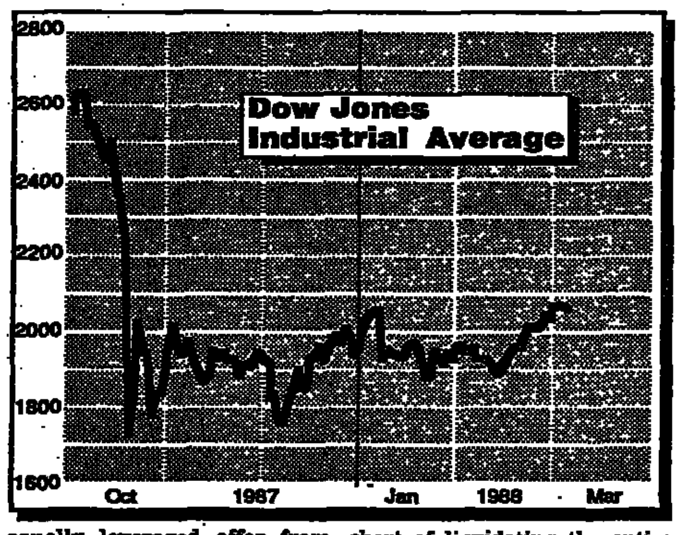
through 2,051.89, which was reached at the close of trading of January 7. The Dow has repeatedly faltered approaching this level, which was the high point since the crash on October 19.

Having found itself in new territory, the Dow paused to find its courage again. But a spate of further takeover announcements, including improved offers all round for Federated, Forstmann Littles' bid for AFG, the glass maker, and C.H. Beazer's $1.8bn offer for the Koppers aggregates group stiffened everybody's nerve. Bid speculation also settled back on Texaco, Pillsbury, the Minneapolis food group, and Firestone, among others.

For those still rattled by the events of last autumn, this is all dreadfully sinister: a speculative orgy which will end the post-October mini-boom as surely and savagely as October 19. The bulls say there are big differences. Long-term interest rates have been steady in a range of 8 1/4-8 3/4 per cent for some time, whereas they were rising sharply and peaked at over 10 per cent on Black Monday. Gold has fallen $50 from its peak, oil prices are down sharply and inflationary fears are falling away. The dollar is steady, instead of under pressure. The economy seems neither too robust nor too weak. And stocks are more reasonably priced than when the Dow was up at, say, 2,722.42.

Yet, if anything, last week saw developments in speculative financing which make last summer's takeover binge seem almost sober. Take Macys' offer for Federated Department Stores. Macys has no access to public equity markets because its managers and other investors took the company private in 1986 in a $3.74bn leveraged buy-out. Though Macys 1 had a sliver of equity as a protection against hard times - $290m in 1986 - and this has vanished, the group has made heroic efforts to cut its debt and generate enough cash to pay its interest bill.

Rebuilding the company's financial structure would have been enough for most executives, but not Mr Edward Finkelstein, Macys chairman. He wants to own Bloomingdales as well as Macys in New York, and run a $15bn department store group. If his bid for Federated succeeds - and it is neck and neck with an



equally leveraged offer from Campeau - Macys 11 will have a financial structure to shame Macys I. Debt will be more than $9bn and a large surplus of liabilities over assets.

Of course, Federated has wonderful assets that can be sold to bring down the debt total. But short of liquidating the entire business, Macys and its lenders will spend many years hostage to small declines in consumer spending. That Drexel Burnham Lambert could line up buyers for $1.8bn in junk bonds for the deal shows - even more than in the equity market - the return of confidence, or recklessness.

The C.H. Beazer offer for Koppers is just as instructive. Mr Brian Beazer is a businessman of great ability and wide horizons, especially when it comes to buying aggregates. The London financial institutions are fed up buying his issues of shares to fund these ambitions - but if they thought that this would stop Mr Beazer, they reckoned without Shearson Lehman, which has been dangling Koppers before him for months. When Mr Beazer said he could not issue enough shares or take on debt to finance the deal, Shearson agreed to join in the raid, a novelty even by the rough-and-tumble standards of US investment banking.

Shearson takes 46 per cent of the raiding company, which is called BNS, with Beazer taking 49 per cent and NatWest Investment Bank the rest. The Beazer minority stake means it does not have to consolidate BNS or take the acquisition debt onto its balance sheet. In addition to its "bridge equity" the company will also make available some $465m in bridge loans, which will eventually be refinanced with junk bonds. Citibank is supposed to put together the remainder in bank loans.

Whether Beazer is successful is another matter. At $45 a share, the bid is far too low. Koppers was trading on Friday at over $52. The fancy financial structure is also several parts moonshine. Neither banking firm seems to want to operate quarries for a long time and they may exercise put options on their BNS stakes. This means it is Beazers stockholders who will suffer if the deal goes wrong, just as if the debt had been on its balance sheet.

But the Beazer deal is a warning to the London institutions to play the game. If they do not finance Mr Beazer (or Mr Martin Sorrell of WPP, or any of the other British acquirers in the US), then Wall Street is happy to have the business. If this also means a kind of Greshams Law of Leverage, so much the worse.

Monday	2071.62	+ 48.41
Tuesday	2070.46	- 1.16
Wednesday	2071.29	+ 0.83
Thursday	2063.49	- 7.80

James Buchan

Let the buyer be aware

Gilts can be a secure, attractive and profitable investment. And some brokers believe investors will earn more from gilts than shares this year, says Simon Holberton

WITH EQUITIES in the doldrums, and with few professionals predicting a major turnaround during this year, a number of people are wondering if they should invest some of their money in gilt-edged securities.

Gilts have been the poor relation of equities for the best part of this decade, having failed to offer the best rates of return when compared with shares. However, this year some brokers believe investors will earn more from gilts than they will by investing in shares, given the uncertain economic outlook and the residual effects of October's stock market collapse.

Gilts (government securities) can be an attractive and profitable investment. As their name implies they are also a totally secure method of investment; no British Government has ever defaulted on its debts. The market is very liquid and easy to get in and out of . . . if at a price.

Gilts are the principle way in which the Government finances its borrowing needs. The total face value of outstanding gilts is some £135bn, comprising almost three quarters of the national debt. The market in this debt is huge. In the year to September last year the total value of stock exchange transaction in gilts was almost £1,000bn – about two thirds of the value of all transactions on the London exchange – and customer business, that is end-investors as opposed to market-makers, accounted for more than half of this.

There are two main ways of buying into the gilts market: on application through the Post Office to a scheme administered by the Department for National Savings; or by dealing directly with a stock broker. The amount you wish to invest will largely dictate which of these two avenues is best for you because dealing costs vary.

On the basis of cost alone, if you have up to £5,000 to invest in gilts then the Post Office is the cheapest way of buying into the market. A £5,000 investment would cost £21 through the Post Office, while a typical stock broker might charge about £60 for the same service.

For investments above £5,000 you begin to become attractive to many City firms. For a £10,000 deal the National Savings Department will charge £41 while a City stock broker might charge around £80. On the surface the stock broker is much more expensive than National Savings, but the broker can offer what the National savings cannot: advice on how to structure your gilts portfolio and strategies which you might like to exploit.

Gilts are a very actively traded instrument. It is important to know what is guaranteed and what is not. The Government guarantees to pay regular, usually half-yearly, interest payments and the face value of the bond on redemption. On some gilts, known as "index-linked," it promises to pay an inflation-adjusted capital sum on maturity. But it does not guarantee any prices *during* the life of the bond.

Gilts are free of capital gains tax. However, if you are a very active trader then the Inland Revenue might take a look and question whether your profits should be taxed. The income derived from interest payments is taxable. National Savings will pay interest to you on a gross basis, whereas a stock broker is more than likely to register your stock with the Bank of England, in which case interest will be paid net of standard rate tax.

As the accompanying table prepared by CL-Alexanders Laing & Cruickshank shows, depending on one's tax rate certain types of gilts are more attractive than others. The table shows how certain tax rates interact with a number of *indicative* gilts currently traded (there are more than 100 listed daily in the FT). Although the Chancellor is expected in the Budget this month to cut the top rates of tax, the accompanying table should still be relevant to high band tax payers.

On the surface, if one had a top rate of tax of 60 per cent then the index-linked 2½ per cent 2003 stock looks quite attractive. It gives an after-tax yield to redemption, that is up to 2003, of 6.29 per cent on current prices, compared with only 3.25 per cent for an investment in 10 per cent Exchequer 1989s.

This is where your perception of risk and reward comes into play, and your reason for owning gilts in the first place. The accompanying decision-making "tree" prepared by Alexanders should aid you in making some of these decisions. But it is important to bear in mind that prices and yields are moving constantly in the gilts market and that they can be affected by the level of sterling on the foreign exchanges, the general economic outlook, and the Government's policy on interest rates.

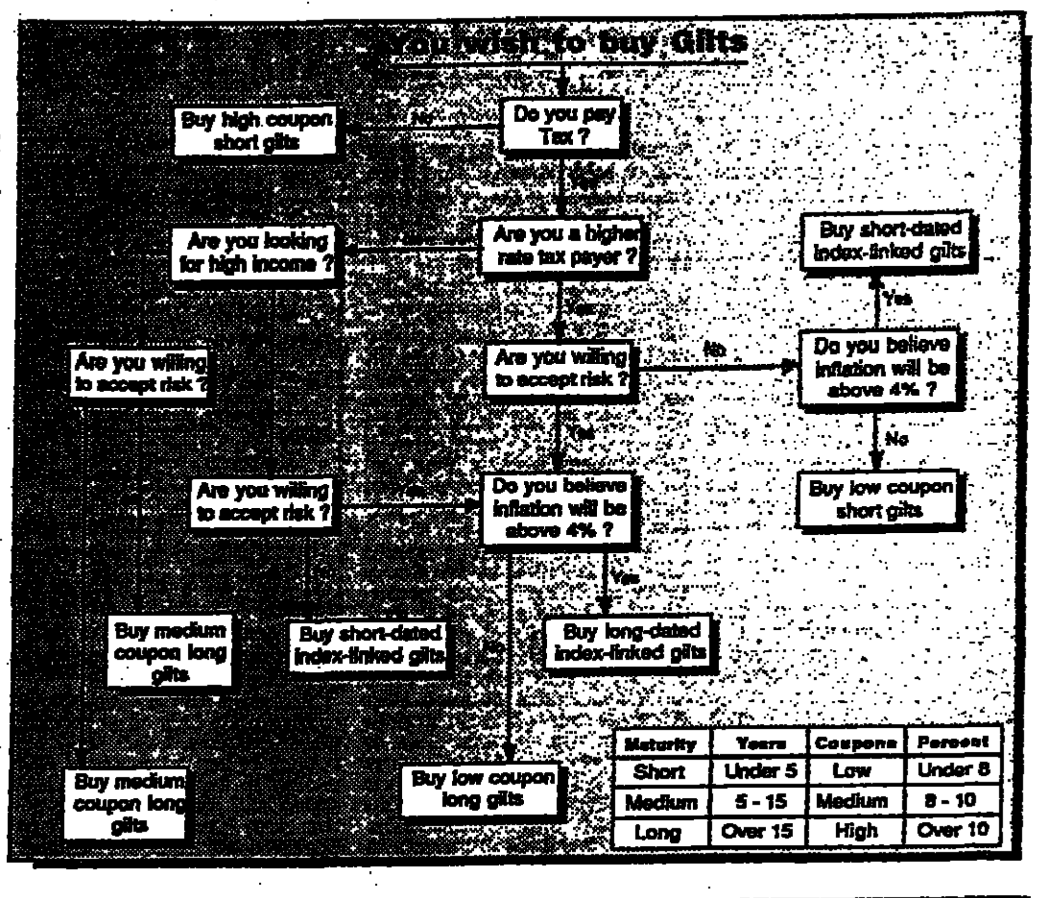
The latter is most important, because if the Government engineers a rise in base rate this generally has the effect of raising the level of interest rates across the whole spectrum of gilts on issue.

The relationship between gilts prices and interest rates is inverse: if the price rises, the yield falls – and vice versa. Ideally, one would want to buy when yields are high and sell when they fall, thereby taking a capital profit. This can often happen, but it also cannot.

If, for example, base rates were to rise by half a point on Monday then the price of the 2003 index-linked gilt could fall by as much as £6.42 per £100 invested. So, if an investor had to sell £10,000 of these gilts on Monday – having only bought this stock earlier this week – he would lose £642. By comparison the price of the 1989 Exchequer gilt would fall by 65p per £100, and the loss would be £65.

The same arithmetic works if base rates are lowered by half a point, or if, because there is a greater demand for gilts than there is supply, prices rise by natural market forces. In these cases the indicative losses above are turned into profits.

As with most investments, however, there is no substitute for seeking advice and making a considered decision on the basis of risk and reward. To rework the old adage, the buyer should be aware.



AFTER-TAX REDEMPTION YIELDS

Gilt	Tax Rate 0	27	40	45	50	55	60
2½% Exchequer-1990	6.67	5.95	5.61	5.47	5.34	5.21	5.07
10% Exchequer-1989	9.20	6.52	5.23	4.73	4.24	3.74	3.25
10½% Exchequer-1997	9.36	6.64	5.33	4.83	4.32	3.82	3.31
7% Treasury-2012/15	8.93	6.61	5.51	5.08	4.66	4.24	3.81
2% Index-linked 1990*	6.49	5.94	5.67	5.57	5.46	5.36	5.26
2½% Index-linked 2003	7.99	7.22	6.85	6.71	6.57	6.43	6.29

Source: CL-Alexanders Laing Cruickshank

Just kidding folks

WITH THE end of the tax year approaching, BES investors are short on time, if long on offers. This week's crop ranges from the chance to invest in a goat breeding concern to the more familiar property developers and hoteliers.

Demand for cashmere and mohair in the UK currently outstrips supply, with imported fibres making up the shortfall. Woodstock Breeding is now seeking to exploit the growing markets for cashmere and mohair clothing in the UK by establishing a breeding centre for "superior" goats.

It also intends to breed "superior" red deer. Venison, the company argues, is an attractive alternative to the Sunday joint of beef or lamb, particularly for the health conscious as it is lower in fat.

One meat supplier has estimated that demand could rise to 5,000 tonnes a year, compared with the present 125 tonnes. Farmers would need to produce 50,000 carcasses a year compared with the current 2,500.

So far so good. However, readers with sensitive stomachs may find Woodstock's breeding methods rather unpalatable. It is effectively trying to produce a little "master race" of deer and goats by the use of embryo transplants "to increase the breeding rate of superior goats with desirable genetic characteristics such as high quality fibre, high yield and fertility."

Woodstock believes it should be making profits by 1989 - but the crunch is likely to come later. Woodstock is unlikely to be the only company to recognise the attractions of breeding these animals in the UK. The danger is that there may be a glut of livestock, and angora and cashmere will lose their exclusive cachet. The issue is sponsored by Chancery Securities and closes on March 15.

Among the more familiar themes is Headbourne Worthy Medical which seeks to raise £1.7m by March 25 to build an an upmarket nursing home next to its existing retirement village at Headbourne Worthy House, Hampshire.

Elegant Ways is looking for £2.3m to develop its existing hotel and health club business by combining the two as one in new sites. The sponsors are Oakland and the offer closes at the end of this month.

Dexta Estates is seeking £5m and has already acquired the businesses of two of its directors as a basis. It intends to concentrate on the south of England. Applications close on April 5 and the sponsors are Minster Trust.

Finally, the second timber merchant in recent weeks to raise money under BES is Highland Sawmills, which is looking for £2m through an offer sponsored by Anthony Wieler. The company wants to buy and convert felled logs into finished timber products for sale in the UK, mainly to construction companies. One for the BES investor who can still see the wood for the trees, perhaps.

Heather Farmbrough

Worth a careful read

HARVARD Securities, the over-the-counter house, is extending its offer of gift shares in Medivest, a newly formed company established to invest in high technology medical projects, to further clients. So far, 4,000 have applied. However, it is worth reading the prospectus carefully, as shareholders may find it is less attractive on a second reading.

Harvard originally offered the gift to its unfortunate clients who had lost money in VTC, a video software company which went into receivership, and to shareholders who invested in some other Harvard companies that went into voluntary receivership.

Harvard effectively owns Medivest, and intends to keep all the 20m fully paid 1p ordinary shares it already holds, although it is gifting 30m "A" shares. The two directors of Medivest are also directors of Harvard.

Harvard is offering the same terms for the extended offer as the original offer. The 0.25p "A" partly paid giftshares carry no voting rights and dividend entitlements are worth only one sixteenth of the fully paid ordinary shares in Medivest.

However, one drawback for "A" shareholders is there is no guarantee of a future market in the shares. In the Medivest prospectus, Harvard says that as a licensed dealer, it can provide a market in both class of shares on the OTC.

But when the Financial Services Act is implemented on April 1, Harvard will have no authority to deal, unless it wins authorisaton to do so from one of the self regulatory authorities. Last year, it was refused external membership of the Stock Exchange.

Miss Sarah Benrose, of Harvard, claims; "After the first of April, we will continue to make a market in Medivest, as we have applied for interim authorisation and are confident that we will get it."

However, if Harvard fails to win authorisation, it looks unlikely that anyone else will deal in Medivest. As the prospectus warns, "no other dealers have declared an intention to provide such a facility," and, "no application has been, or is proposed to be, made for these securities to be admitted to the Official List of the Stock Exchange, or the third market."

Furthermore, while the partly paid shares are a gift, shareholders will have to pay well over book value later if they want to keep them. Once the gift is completed, Medivest will call on "A" shareholders for a £1.5m rights issue. "A" shareholders will be able to take up one new ordinary share for every "A" share held by paying 5p a share. This is a premium of five times to the book value, which is pretty demanding for an investment company with no track record intending to invest in a highly speculative area.

The alternative for "A" shareholders is to covert into ordinary shares at 3.75p each at the company's first AGM - but this will not happen till the company has been trading for at least 12 months. Each time a shareholder converts, Harvard is getting 2.75p (ie 3.75p less the 1p book value of the shares.)

The second and final opportunity to convert is after the second AGM , again at an unspecified date. But the price will be determined by the directors, depending on the price "quoted by any one or more dealers in the ordinary shares" - if there are any.

Holders of "A" shares who fail to convert by the second AGM will then have the choice of buying back their shares on the basis of one ordinary share for 16 "A" shares, ie at 4p, or selling then back to Harvard for 0.25p.

Heather Farmbrough

Better news at UKP

UKP BONUS DECLARATION	End 1987	Interim Rate	End 1985
Life Contracts			
Reversionary Bonus 1986-87	£9.00%		
Annual equivalent	£4.40%	£4.40%	£4.90%
Terminal Bonus	65%	65%	75%
Pension Contracts			
Reversionary Bonus 1986-87	£11.10%		
Annual equivalent	£ 5.40%	£5.40%	£6.05%
Terminal bonus	55%	55%	60%

Reversionary Bonus is based on the basic benefit and attaching bonuses. Terminal Bonus relates to attaching bonuses.

MATURITY VALUES Man aged 29 at outset, paying monthly premiums of £30 gross	March 1988 £	April 1987 £
10 Years		
F.P.	8,938	8,910
UKP	6,435	6,629
25 Years		
F.P.	51,097	50,033
UKP	35,254	35,456

TWO YEARS ago, the unthinkable happened — a long-established traditional mutual life company ran into financial trouble.

From out of the blue, investors holding with-profit contracts with United Kingdom Provident Institution were told that the company was in trouble and had had to be rescued by another mutual life company, Friends' Provident Life Office.

Although technically an operational merger, effectively it was a take-over by Friends' Provident, and there was considerable concern among certain UKP policy holders, who regarded the merger as a "shotgun marriage" imposed by the Department of Trade and Industry.

However, the first tangible results of the rescue came this week when UKP announced the first bonus declaration since the merger. One of the first actions taken by the new management was to slash the interim bonus rates by 10 per cent from the high 1985 declarations — bonus levels that Fred Cotton, managing director of both companies, said were not sustainable.

No indication was given as to whether this action in itself would be sufficient. As it turns out, investors will be relieved to hear that there is no further cut in bonuses. The reversionary bonus declarations for the two year period to end-1987 effectively maintain the interim rate, while the terminal bonus rates also remain unchanged.

However, the rates shown in the accompanying table are still 10 per cent below those declared at end-1985, and this is at a time when most other life companies are maintaining reversionary and terminal bonus rates.

Investors with maturing life policies will find UK Provident way down the performance league, while Friends' Provident either heads the tables or is near the top.

The actual results are in complete contrast to the picture being given by UKP in its marketing heyday prior to its problems. Several investors and their advisers were enticed into UKP on the face value of these claims, and these investors must now accept that while they will not lose money as such, they are unlikely to get a top return from their with-profit contracts, at least for the next few years, as was indicated by the company's projections at the time they made their investment.

Indeed, it was the attempt by UKP to become a top performing traditional life company without having an adequate capital base and adequate management control that was the root cause of its problems.

However, investors will be consoled by the progress report given by Fred Cotton on the financial progress of UK Provident, which looks promising.

Investors will recall that there were three basic factors causing the company's problems: a high level of expenses; a high risk investment strategy that went sour and a high level of new business and high bonus rates.

Friends' Provident has tackled all three with considerable success. Full details will be available in the financial report of UKP due in next month. However, Fred Cotton did reveal that expenses had been cut from £38m in 1985 to £10m last year, some of this saving coming from UKP ceasing to write new business.

The other success came on the investment front, which is now managed by Friends Provident. Since UKP is now a closed fund, the investments ultimately have to be primarily in fixed-interest form to match the maturing liabilities. However, FP had considerable sucess in the timing of its switches to get maximum advantage of the equity bull market ahead of last October's fall and to minimise the effect of the fall when it did occur.

These successes had enabled the management to hold the bonus rates while strengthening the underlying reserves from £82m (6 per cent of the fund) to a respectable £240m at end-1987 (17 per cent of the fund).

What of the future? UKP investors have two main considerations - what happens to their investment and what happens to the company.

The immediate task facing the management is to maintain this financial improvement in the face of uncertain stock markets. The scope for further reductions in expenses is limited. The switch from equities and property into fixed-interest will continue over the next few years, with the fund facing heavy maturities in the early 1990s. This will insulate the fund against a fall in the stock market, but will limit the scope for high investment returns. Bonus rates should be stable - no drastic falls, but little scope for improvements over the next few years.

Friends' Provident has never made any secret of its desire to completely merge the two operations. However, at this stage the funds will still be kept separate for bonus purposes, with only the name United Kingdom Provident Institution disappearing, except for these. The final merging of the two funds is still three or four years away.

Policyholders are in a dilemma concerning their with-profit contracts. They are not likely to get the return expected, but they should only surrender the contracts if they are certain that the higher return they obtain elsewhere wil more than offset the penalty on surrender. Surrender values were reduced at the time of the merger and as yet have not been revised.

Eric Short

Come into the closet

INDEX CLOSETING are the new buzzwords for investors. Ivory & Sime this week launch an offshore umbrella fund, the Atlas fund, which will use an investment technique known as index closeting for its five share-based sub funds.

It is similar to index matching used by many fund managers to keep track of the overall average market trend. But, with index closeting, the investment portfolio for each sub fund is weighted in accordance with the different sectors, with the relevant geographical index — such as the FT A All-share index in the case of the UK — used as a benchmark.

Within these sectors the fund managers choose stocks which they consider will outperform the sector average.

However, this technique will only be used for five of the 15 sub funds included under the Atlas umbrella — the UK, North American, Continental Europe, Japan and Pacific portfolios. There are three other equity sub funds — Gold, Global Capital and UK Growth of Income — as well three bond funds and "liquidity" (cash) currency funds.

The launch of the Atlas umbrella fund, an open-ended investment company registered in Luxembourg and managed in Guernsey — and listed on the London and Luxembourg Stock Exchanges — marks the first move by Ivory & Sime to spread its wings outside investment trusts and follows the recruitment of Richard Carswell, previously of County NatWest unit trusts.

Carswell says the Atlas fund, which will apply for distributor status to encourage participation by UK investors, would operate on similar lines to authorised unit trusts. It was aimed to give flexibility to investors in current uncertain market conditions. There was a wide choice, and the index closeting should provide reassurance to investors wishing to go back into shares that the funds would notunderperform the market.

Switching between funds in the umbrella will be based on a bid-to-net-asset-value basis and the first four switches in any calendar year would be free of administrative charges. After that a fee of £50 a switch would be made.

There is an initial (front load) charge of five per cent on the 11 equity and bond sub funds but no charge on the four liquidity sub funds. However, if you switch from the liquidity to equity and bond funds, you will be charged an extra five per cent. In addition there is an annual management fee of one per cent on the equity and bond funds, and 0.5 per cent on the liquidity funds. Minimum investment is £5,000.

John Edwards

Dial a share

BRITISH Telecom has entered the financial services market. It announced this week that it has acquired a majority interest in Sharelink, the execution-only share dealing by telephone service.

It has bought a 64 per cent stake in Sharelink, which was launched ten months ago by David Jones, its chief executive, in conjunction with Birmingham-based stockbrokers Albert E Sharp.

It offers one of the cheapest dealing-only services, with a minimum of £15, and recently began offering a seven days a week trading facility. It already has a client list of over 8,000 shareholders.

Under the new set-up, Albert E. Sharp will have 33 per cent holding and David Jones, who remains as chief executive, four per cent.

Jones worked for British Telecom in helping to set up its computer-based telephone enquiry service, which was used to handle the group's privatisation offer.

It was this that gave him the idea of setting up a different kind of share dealing service, which offers no advice or share information and has little to do with traditional stockbroking.

Dr Sydney O'Hara, managing director of British Telecom Enterprises, said developing the use of the telephone to supply financial services was considered an area of major potential.

John Edwards

Options for the revolution

A MAIN feature of the pensions revolution is that from April 6 employees will be able to opt out of their company scheme and switch to a personal pension, starting from July 1, which can effectively be backdated to April.

That personal pension can also be used to contract out of the State Earnings-Related Pension Scheme (Serps).

Until now, personal pensions have been available to the self-employed and to employees not in a company scheme, only as an addition to Serps.

The new-style personal pensions have been modelled on retirement annuity contracts, though there are certain changes.

They operate on the money purchase principle. Contributions are invested in tax exempt funds and on retirement the accumulated value is used to buy a pension.

However, behind this very straightforward concept lies a mass of complication, most of it Government-inspired.

For a start there are two versions of personal pensions:

(a) the appropriate personal pension used to contract-out of Serps, which is available only to employees.

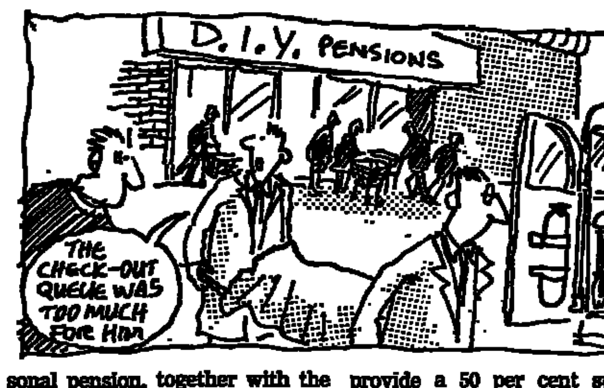
(b) personal pensions which are available to both employees and the self-employed.

For appropriate personal pensions, the contribution rate is the National Insurance contracted-out rebate, which is the difference between the full contracted-in rate and the contracted-out rate. From April 1988 this will be 5.8 per cent of earnings between £2,132 and £15,860, split 2 per cent employee and 3.8 per cent employer.

The employee gets tax relief on his contribution.

Employees who have not previously been in a contracted-out company scheme for two or more years qualify for a 2 per cent incentive payment until April 1993.

The rebate will be paid from the normal National Insurance contribution, collected and accumulated by the Department of Health and Social Security over the tax year. It will be paid over as an annual lump sum to the institution providing the personal pension, together with the tax relief and any incentive payment, soon after the end of the tax year.



For personal pensions, available to the self-employed and employees the maximum allowable contribution rates are 17.5 per cent of total earnings up to 50 years old; 20 per cent to 51-55 years; 22.5 per cent to 56-60 years; and 27.5 per cent to 61-75.

Employers can contribute to employees' personal pension but there is no legal obligation to do so.

Employees pay contributions net of basic rate tax. Any higher rate tax would be reclaimed through adjusting their tax code.

The self-employed pay contributions gross and adjust their tax bill, as at present

Retirement benefits

(a) Appropriate personal pensions.

Payment of benefits starts from State retirement age - currently 65 for men and 60 for women.

Employees take the accumulated cash value and buy a pension from a life company. This pension must offer the same rates for men and women and provide a 50 per cent spouse's pension - and increase by 3 per cent a year (or the Retail Price Index if less).

(b) Personal pensions.

Benefits can be taken at any time between 50th and 75th birthdays. Up to 25 per cent of the accumulated value can be taken as a tax-free cash sum (maximum £150,000) but the remainder has to be taken as income.

The pension is bought from any life company. There is a maximum of 10 years over which the pension payments on a single life contract can be guaranteed.

Death before Retirement

On both types it would be a return of the fund, or under with-profits policy, a return of premiums with or without interest according to the policy.

Further life cover can be arranged - the cost coming out of the maximum contribution up to 5 per cent overall.

Investment

Life companies, unit trust groups, banks and building societies will be able to provide personal pensions.

There is no investment restriction as such under personal pensions, other than that imposed on each institution by the relevant legislation.

With appropriate personal pensions, employees can only hold one contract for a particular year's payments. But they can change providers each year if desired and transfer benefits from one provider to another once a year.

With personal pensions, individuals can spread their contracts between as many providers as they want subject to the minimum premium on the contract and the overall level of their contribution.

With equity or property based personal pensions, the employee gets the full benefits of investment growth but equally carries the risk of a decline.

Charges

For linked assurance linked pension contracts and unit trusts there would be an initial charge deducted from the contributions and an annual charge on the underlying fund.

Bank and building society deposit schemes could, if normal practice is followed, have expenses as a first charge on the investment income.

Eric Short

• FINANCE & THE FAMILY •

Currie goes for growth

A TWO-WAY option is being offered by Martin Currie, the Edinburgh investment group which last September took over full ownership of Scottish Unit Managers (SUM), in a move to expand its unit trust business.

For those who believe, as the group does, that now is a good time to get back into the equity market, when values are well down from the pre-October peaks, it is offering a Growth and Recovery Fund. This will invest in 20 to 30 UK companies, split equally between large and small, which are considered to have exceptional growth prospects.

Minimum investment is £500 and during the launch period until March 11 there will be a fixed offer price of 50p a unit, and bonus allocations of one per cent of units for investments up to £2,449 and 1.5 per cent for £2,500 and above.

However, for those who are still nervous about stock market trends, the group is providing a "waiting room" in the form of a high interest, cheque account operated in conjunction with the Clydesdale Bank which allows you to buy unit trusts when you want at a special discount.

The idea is that your money earns a competitive rate of interest, currently 8.25 per cent gross, linked to money market rates, until you decide the time is ripe to go into the stock market. When you do so you automatically receive a one per cent discount on purchases of any of the SUM funds.

Alternatively you can arrange just for the interest earned on your money to be invested in the fund of your choice. The minimum lump sum investment is £200, but it is only £25 if the purchase is made from the quarterly interest payments.

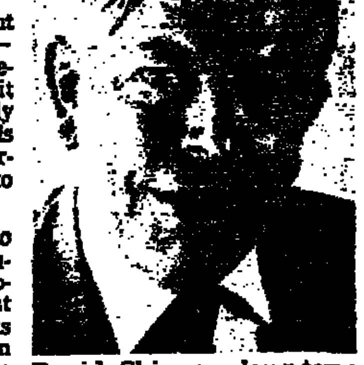
Minimum investment in the special Clydesdale high interest account, which allows instant cash withdrawals without loss of interest and a cheque book service although cheques or transfers must be amounts of £200 and over.

The Scottish Growth and Recovery Fund is the first to be launched since Martin Currie took over SUM completely from its two previous partners — British Linen Bank and Aberdeen Fund Managers. It was a partnership that had not worked particularly well, with most of the eight funds performing poorly — according to Money Management's annual survey of unit trust groups' performance, only 34 per cent of the SUM funds were above the median performance during the three years to end 1987.

British Linen Bank wanted to pull out since its parent company, Bank of Scotland, had chosen to become an independent intermediary, unable to offer its own products, and Aberdeen Fund Managers decided to take over four of the funds when the partnership was dissolved.

Since then, Martin Currie has transferred one unit trust it was already managing, with some success; the International Growth Fund, into the SUM range. It has added a sixth fund as part of a general long-term expansion programme.

David Skinner, managing director of Martin Currie, which has built up funds under management to more than £2bn in 10 years, emphasises that the move into unit trusts is a long-term plan. "It may seem silly at present, but we feel that the day of the equity has not passed," he said.



David Skinner: long-term investment aims

As part of the expansion plan, Martin Currie has linked with the Northern Rock Building Society which last week claimed to be the first society to establish its own unit trust subsidiary. It has been appointed investment adviser to the society, the 14th largest in Britain, which has set up a unit trust-linked additional voluntary contribution pension contract as its first product.

John Edwards

Abbey unveils all-in account

ABBEY NATIONAL this week unveiled details of what it hopes will be the current account deal no-one can refuse. From Monday, current account holders at the Abbey will enjoy incentives offered by none of its competitors among the banks or building societies.

- All accounts in credit will earn 4 per cent interest. For deposits of £2,500 and upwards, high interest cheque account rates are available, rising from 5.84 per cent to 7 per cent for deposits of £25,000 or more.
- A £100 cheque guarantee card is available if you pay at least £500 a month into your account or can show that you have an income of more than £10,000 a year.
- No transaction charges of any sort, in credit or in overdraft, other than a fee of £7.50 on bounced cheques. However there will be an interest charge of 1.5 per cent per month on authorised overdrafts and 2.2 per cent on unauthorised ones.

The Abbey is the second major building society to offer a current account which pays interest and provides a cheque book. Last May, the Nationwide Anglia launched its Flex Account, which also offers the whole panoply of plastic card, chequebook, cheque guarantee card, credit card, direct debit, standing orders, bill payments services and overdraft facilities. However, Abbey National's account pays more interest on deposits of under £100 — on which Nationwide Anglia pays only 2 per cent. Not until you have £500 in the bank with the Nationwide do you get 4 per cent.

The other main rival to the Abbey's account is the Vector Account which the Midland Bank launched in May last year. It pays 4.5 per cent on current accounts, but charges a flat transaction fee of £10 a month. However, it does have a "sweep facility." Once a month the bank automatically moves any funds above a specified level into a separate savings account, where they earn 5.6 per cent.

Midland says that Vector, which currently numbers about 90,000 out of its total of four million current accounts, is aimed at those in the 25 to 44 age group who have good salaries but do not wish to be bothered with day-to-day money management.

Abbey National and Nationwide Anglia are aiming at a much larger market: those who resent paying bank charges and want to see their current accounts earning money.

An advertising campaign planned shortly by the Nationwide Anglia says cheerfully that "Anyone who doesn't pay interest on a current account is a banker." In fact, the Nationwide Anglia and the Abbey National have gone almost all the way to being bankers themselves. Despite the high cost of cheque-clearing (the major banks estimate that they lose money on each cheque they clear), both societies are setting up their own cheque clearing facilities rather than using other banks as their agents as building societies have done up till now.

The new accounts will be indistinguishable for most purposes from ordinary bank accounts. The chief advantage that a customer will be able to get from a bank but not from an Abbey National account is an overdraft of more than £1,000. The banks do have some other advantages - a larger branch network, for instance, than the building societies. The Abbey National's 674 branches compare with the Midland's 2,211 branches or NatWest's 3,133. The banks also claim to be able to offer a wider range of personal services to customers, though there now seem to be few gaps in what the building societies are able to provide.

The societies claim that the public, disgruntled with years of bad service from local bank branches, is turning to them in droves. Nationwide Anglia says it will have opened more than 500,000 new accounts when FlexAccount's first year ends in May, a bigger share of the 2.25m new accounts opened during the period than that of any other financial institution.

David Barchard

Satisfaction guaranteed?

WHAT'S IN a guarantee? A number of schemes have been launched which combine an interest-paying investment with some kind of equity linking, such as a unit trust. The idea is to give the investor a degree of protection in times of volatile stock markets with schemes that either guarantee your capital will not be lost or enhance the benefits of regular savings.

However, safety does not appear to be as marketable as risk. Plans featuring protection of your original capital have not been a runaway success.

Fidelity announced last week a Guaranteed Capital Plan, which it claimed was a "novel" investment offering exposure to the stock market as well as guaranteeing the initial capital over a five year period.

In fact it is not the first of its kind and, like similar schemes, the guarantee of preserving your initial capital is only achieved at the expense of flexibility. With a high minimum of £5,000 it puts three quarters of your money into a five-year guaranteed growth bond, which matures to return the original investment in full. The remaining quarter goes into a portfolio of aggressively managed Fidelity Trust.

Gartmore's Safeguard plan, launched as long ago as October, 1986, had the same idea. The money you put up — the minimum investment is £1,000 — is divided into two parts, with 70 cent going into a guaranteed bond and 30 per cent into Gartmore's Global fund.

The bond guarantees the return of your original capital in five years, while the unit trust is supposed to provide some growth in value as well over the period. It is very much a five-year commitment since surrender values on guaranteed bonds are not likely to be good should you want to take your money out early.

Guaranteed bonds are taxed in the same way as any other single premium bond, which means there may be unwelcome tax complications on maturity. Notably, the bond may reduce age allowance in the year of encashment. In contrast you could preserve £1,000 tax free by putting £725 for five years into the 33rd issue of National Savings Certificates. However, neither alternative protects you against inflation.

You should see some gain on the unit trust element of your investment over the five-year period, unless the stock market continues to decline or the management of the fund is poor. In fact Gartmore's Global fund had grown by just under 180 per cent over five years to February. The trouble is, the gain is only on 30 per cent of your money. A £5,000 investment in Safeguard, had it existed in February 1983, would over five years have become worth only £6,950 compared with £11,500 had all the money been invested in the unit trust element.

Save and Prosper's Sharesafe, which appeared last September and was relaunched in October is a one-year bank deposit with Robert Fleming and Co with a £2,500 minimum investment. The interest is calculated in a novel way: you are guaranteed your money back after 12 months plus interest at half the increase in the FTSE 100 index over the period. If there is no gain in the index no interest is paid.

The company felt that with markets at a relatively low level this was an ideal investment. However, the guaranteed return depended on underlying futures and options contracts. So when liquidity in these markets dried up as a result of the crash, S&P ceased marketing the plan though it hopes to reintroduce it when market conditions improve.

For the year to September 1987 the Sharesafe deposit would have produced a 43.5 per cent gain. From the year to November 1 it would have gained less than 4 per cent, and for one year to February 1 1988 it would have earned no interest at all. Far from being risk free, the plan puts you at the risk of having your capital whittled away by inflation without earning any interest to compensate if the markets fall over a one-year term.

In November last year MLA launched their Capital Guarantee plan, where a minimum £2,000 deposit is placed in a high interest deposit account, and the interest is stripped out and invested in MLA units. Thus the value of the capital cannot go down, but again growth element will be small.

Brokers Chase de Vere has made the MLA plan more attractive by turning it into a regular savings plan, funded from the deposit account. Under their version the deposit account is run over 12 months by making investments in MLA trusts. In addition to the benefits of pound cost averaging, it is enhanced by an interest rate of 6.25 per cent for 12 months to those investing before March 15. This is increased by a 2 per cent bonus on which no tax is deductible. The result is a 10.46 per cent effective annual return on the reducing balance.

With this plan you are, of course, tied to MLA trusts. Chase de Vere suggests the General Trust (150.5 per cent up over five years to February) and the Income & Growth Trust (126.3 per cent up over three years).

The recently launched Mercury Capital Investment Plan uses the same idea, but puts the money with the Cheltenham and Gloucester Building Society at a rate which is only guaranteed to be 1 per cent above the ordinary share rate. A 1 per cent bonus allocation of units is added at the end of the plan. There is a 3 per cent discount on units purchased, but this is offset by a 2.5 per cent front-end fee.

A low level of return in rising markets is the price you have to pay for a plan which provides a guarantee. What is more, a fixed investment term, like the five year period of the Fidelity and Gartmore plans, reduces your flexibility to move if market conditions change. It is much simpler to keep a proportion of your assets in a building society.

The main advantage of interest-bearing fund plans is convenience. You could operate the same type of scheme for yourself by using a building society account which allows payments by standing order. You would then have your own choice of unit trust group to invest in, but you would have to keep a high minimum amount in the account in order to earn a competitive rate of interest.

Christine Stopp

Coming home? Beware Capital Gains Tax, says **Donald Elkin**

How to avoid a tax headache

SUBSTANTIAL NUMBERS of Britons who work overseas own UK properties. While some keep them free for their own use, others prefer to generate an income by letting. But whichever it is, a potential Capital Gains Tax problem awaits their return to Britain.

Indeed, this can happen even earlier if one of the marriage partners, usually the wife, is treated as a UK resident while owning the family home either outright or jointly.

You must bear in mind that the gainful sale of a property in Britain or elsewhere, when you are resident or ordinarily resident in the UK, can give rise to a Capital Gains Tax liability unless it was your principal private residence (PPR) throughout your ownership – although the last two years will be exempt in any event.

Partial exemption is available if the property was your PPR for a shorter period. The problem is that while you are working overseas this exemption is put in jeopardy because your British property might not, in truth, be your main residence.

Happily, the legislation recognises this difficulty and incorporates provisions designed, in appropriate circumstances, to preserve the relief.

It is important to appreciate that a property cannot be regarded as your residence unless you are living in it as your home. Ownership is not essential and "residence" can encompass rented accommodation. If, at any time, there are two or more properties which can properly be regarded as your residence – for example the town house which you live in during the week and the country cottage which is occupied at weekends – you can, within two years of that first occurring, nominate which is to be your PPR.

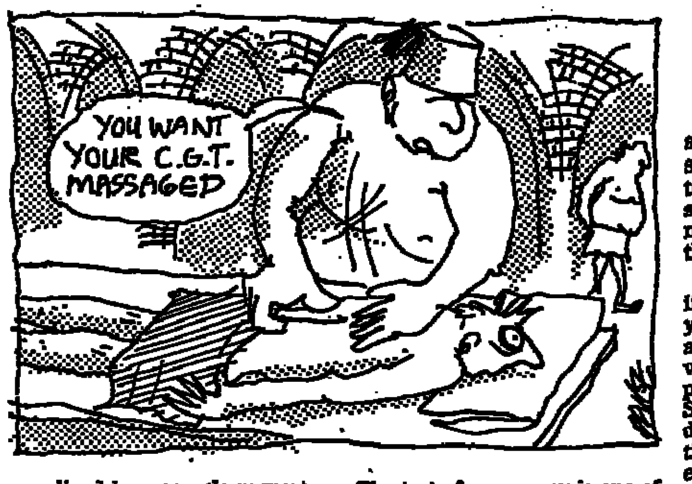
A nomination cannot be made for properties which are occupied in succession. Furthermore, provided that the property was your PPR before and after absence caused by employment performed overseas, it will be treated as your PPR throughout that absence. A further concession will even excuse the subsequent period of occupation if it is rendered impossible because the terms of your employment require you to work elsewhere.

However, you do have to show that during the period of absence there was no other residence "eligible for the relief." For this purpose you can exclude from the reckoning all residences which you do not own and, where a main residence nomination has been made, all properties but that one.

In all of this, satisfaction of the conditions by one spouse will give rise to relief even though the property concerned is actually owned by the other.

Suppose that you had for some years lived in your sole property in Sussex before taking a job in Hong Kong where you rent accommodation. Since you are not expecting to be home very frequently, your Sussex property is let during your absence. Nevertheless, provided that you reoccupy it on your return – or the concession applies – full exemption will be preserved. For, although while absent you clearly had another residence – the Hong Kong property – it was not eligible for relief.

Your young colleague, Smith, is less fortunate. He had no property in Britain before going abroad but during his last leave bought a new and expensive London flat. Unless he can show that during his leave he occupied the property as his PPR – which, together with a nomination in its favour would satisfy the first part of the "before and after" rule – exemption will not begin to run until he finally returns to Britain and takes up residence in the flat.



The test of occupancy is one of quality rather than length: that is, was the property really used as his home in the normal meaning of those words? Certainly, camping in an empty flat for two nights would not be sufficient.

While sympathising with Smith in his predicament, you should bear in mind that if, while abroad, you were to sell your Sussex property and buy another one, you would face the same situation in relation to the new property. The old and the new cannot be treated as if they were one.

Meanwhile, Smith is beginning to feel distinctly hard done by on learning that his contemporary Jones, whose situation apparently mirrors his own, can obtain exemption for his UK property.

The reason is that Jones' Hong Kong flat qualifies as "job related accommodation" that is, it is necessary for him to live there to properly perform his duties or as a result of special security arrangements. In these circumstances the legislation deems him to live in the property he owns, so a simple main residence nomination in its favour will produce the desired result.

But what would be the position if, following a transfer to Paris, you purchased rather than rented a home there while continuing to visit and live in your Sussex property on a regular basis? Since both could qualify as residences, a main residence nomination in favour of the Sussex property should be made within the two-year period. The rules will then assume that you have never been absent from it and exemption will be secured without even having to consider the "before and after" rules.

Should you visit infrequently the situation will be less clear and letting would undoubtedly result in forfeit of the exemption. Since there would then be no period when both properties would simultaneously be your residence, right of nomination would be lost with the result that during the period of absence the Paris flat would be "eligible for relief."

Should all else fail, the returned expatriate could eliminate the problem by disposing of his property to a suitable trust (giving him the right to occupy it as his residence), rolling over the capital gain as he does so.

Donald Elkin is a Director of Wilfred T Fry Limited of Worthing.

EXPATRIATES

Gift of a house

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

I am 80 and have been a widower since 1970 when my wife was relieved from further long years of suffering and degeneration as the result of multiple sclerosis. With the course and length of her illness being unpredictable, no customary arrangement of our affairs was possible.

Since her death, although able to make some contribution, albeit inadequate, towards the housing of our two elder adult children and their families, I have not, as yet, been able to make firm provision for our youngest daughter now aged 33, who since her mother's death, has been domiciled and working in Germany.

I live in a large house effectively inherited in 1937, with no formal evaluation being made, the top floor of which I converted into a three roomed holiday flat for the use of my wife some time after our marriage in 1938. Access to the flat, all three rooms of which were lockable, is via the main staircase and entrances of the rest of the house.

Since my wife's death, the flat has been regarded as belonging to our younger daughter, and has been used and lived in by her on her visits home, although I have retained a duplicate set of keys to enable necessary supervision and care and maintenance during her absences. This might have been regarded as my retaining an interest and therefore debarred from gifting. It always has been necessary for me to retain the rest of the house to myself during my lifetime, and is still the case, with the intention that the whole house should go to my younger daughter on my death. Introduction of Inheritance Tax in place of Capital Transfer Tax, not only upsets all previous intentions, but makes me liable on the whole, of whatever assets I leave, including the whole house.

I would indeed appreciate your help with respect to whatever tax efficient ways are open to me to effect my intentions.

We think that you would be wise to consult a solicitor. It may be possible to unearth some evidence of a gift of the flat to your daughter soon after your wife's death. If not you would probably wish to make such a gift now: the retention of keys in a caretaking capacity should not constitute the reservation of a benefit.

Family planning

Our wills provide for the testator's share of the total estate, including the house, to pass to the survivor. My wife and I appreciate that, for Inheritance Tax purposes, it is better for the share of the first to die to go to the children straightaway, but, in case of possible straitened circumstances at the time of the first death, this may not be in the best interests of the survivor.

Could this be achieved if desired by use of the Deed of Family Arrangement by which I understand that the survivor can vary the terms of the will within two years of death?

It is possible to achieve what you want by means of a Deed of Familyti Arranagement, if you do not mind the additional cost involved. It might nevertheless be wise to ensure that there is some bequest to the children, however small, so that a Deed of Family Arrangement can be more readily characterised as revising the distribution between all the legatees.

Trust for children

I wish to set up an accumulation and maintenance trust for the children of my niece. I shall employ a solicitor but it would be helpful to know something of the background before consulting him.

Can you recommend any suitable publications?

The basic principle is to provide for the fund to be used so that the income will be accumulated by adding it to the capital during the years when the beneficiaries are under 18, except where the trustees decide to pay out part (or all) of the income in any one year for the education, maintenance or benefit of one or more of them; that the income will be paid to the beneficiaries from the age of 18 onwards; and that the capital will be paid out at such later date (e.g. on the deaths of the income beneficiaries) as you provide - usually to the other beneficiaries.

Alternatively, and more commonly now, the whole fund will be payable to the income beneficiaries on their attaining 18 or 21. Any standard textbook on inheritance tax should help you, but your solicitor will be better able to explain the options appropriate to your particular situation.

Taxable income

My title deeds contain a covenant restricting my next door neighbours from any form of redevelopment. I have received confirmation that the restrictive covenant is legally binding and enforceable.

They now wish to sell their land to a developer, and I have been offered a not inconsiderable sum to release the restriction and allow development to occur.

Could you please tell me whether this compensatory sum will be subject to capital gains tax?

Yes; section 20(1)(c) of the Capital Gains Tax Act 1979 catches "capital sums received in return for forfeiture or surrender of rights, or for refraining from exercising rights". The solicitor who advised you on the enforceability of the covenant will, of course, be able to guide you through the tax aspects of the transaction as well.

Smart thinking

I am trying to buy a house in Somerset and I am being held up by two problems.

1. The house was sold to the present owner only six months ago and we are told that the registration documents are still with the Land Registry. The cottage stands on previously unregistered land. I understand that it can take months to retrieve the documents from the Registry. I have, therefore, suggested to my solicitor that we exchange contracts as soon as he has completed the rest of his work. Completion would take place as and when a satisfactory certificate is returned from the Land Registry provided that it is available in a period of, say, six months. If it is not available after that period the contract would be void.

2. Our survey has indicated that there is rising damp. There is a recent guarantee in place, but I fear that seeking action under the guarantee will take some time. I have, therefore, proposed completion with a retention of, say, £2,000. This retention would be released as and when an independant surveyor certifies the damp has been cured. We would, of course, need to detail the precise responsibility of the guarantor and of the vendor.

Both suggestions which you make are feasible, and, indeed, advisable.

Widow's mite

An uncle has left a will which virtually disinherits his wife. Does she have any redress?

His estate, consisting of house and effects, cash and land - about £250,000 in total - is formed into a trust. The whole of the income from the trust goes to my aunt during her lifetime, but on her death the trust is broken up and the proceeds go to persons of whom she does not approve. Consequently, she can will virtually nothing.

They lived happily together all their married lives and she worked shoulder to shoulder with him in their business. There are no children.

The wife is entitled to make a claim under the Inheritance (provision for Family and Dependants) Act 1975, asking the court to award suitable provision out of her husband's estate. The claim must be made promptly, as there is a time limit of six months after the grant of probate in which the claim must be made.

CHESS

MANY amateur and club chessplayers handle endgames weakly and with little confidence, due to the prevalence of adjudications after 30 or 36 moves. As adjudicator for a number of leagues, I find that rooks and bishops are the most misplaced pieces. The principle that the king has to be an active force in the endgame is widely known and followed, but it is common to see a rook hopelessly passive, limply guarding its pawns while the opposing rook has a free hand.

Even more frequently, bishops of opposite colour endings in club chess resolve into a kind of draughts, both sides placing their pawns on the same coloured squares as their own bishop. The rules of thumb for practical play are that the rook should be active, even at the cost of a pawn or two; while in bishop endings your pawns should as far as possible be on the opposite coloured squares to your bishop.

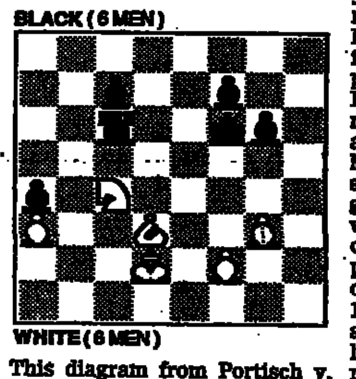
One endgame which can baffle even masters is the delicate balance of forces between a rook, allied to one or two pawns, against a bishop and knight in combination. Who ought to win, and what should be the strategy for each side?

Given several pawns on the board and no unusual features in the position, a knight and bishop should have the edge on a bare rook. Allow the rook an extra pawn, and chances are about level; give the player with the rook two extra pawns, and he should have the upper hand.

Matters are different in the middle game and even more in the opening, when the board is crammed with pieces and rooks have little scope. Minor pieces are then definitely favoured, as shown by this sequence popular in novice games: 1 P-K4, P-K4; 2 N-KB3, N-QB3; 3 B-B4, B-B4; 4 N-N5, O-O; 5 NxBP, RxN; 6 BxR ch, KxB. The white player thinks he has a reasonable bargain with rook and pawn for knight and bishop, but in reality Black has a considerable advantage due to his better development and his scope for a combined piece attack on the white king.

Come the endgame, and the rook's assets come into full play. Its long-striding moves work to advantage on a near-empty board, while the short-stepping knight, so effective in a blocked position, is often caught stranded as endgame action shifts from one side of the board to the other. However, the contest is close and special features of a position can change the assessment.

BLACK (6 MEN)



WHITE (6 MEN)

This diagram from Portisch v. Vaganian, Tilburg 1983, shows how even the greatest players can misjudge N/B v R positions. Here the rook has an extra pawn, but few pawns remain on the board. Instant analysis suggests a draw, but it is White who has a won game, due to the weakness of Black's advanced rook pawn vulnerable to a combined piece attack. Portisch is currently a world title candidate, but he apparently thought a draw inevitable and played casually.

The game went 1 K-B3, K-K3; 2 K-Q4?

Already an error. Simply 2 B-K4, R-R3; 3 K-N4 followed by B-B3 gathers in the pawn, after which White's own rook pawn can advance.

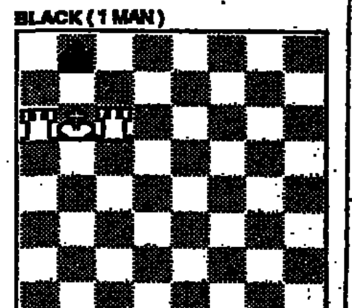
2 ... P-B4; 3 P-N4, K-B3; 4 PxP, PxP; 5 B-B3, R-K2; 6 P-B3?

Another mistake. White saw that 6 BxP? allows R-K5 ch and R-KB5 winning the KBP and drawing, so prevented the rook invasion but allowed one by the black king. The winning line was 6 N-K3! (using the N/B force in combination to attack weak points) P-B5; 7 N-Q5 ch, K-N4; 8 BxP, R-K7; 9 N-B3! RxP? (else White wins on material) 10 N-K4 ch forking king and rook.

6 ... R-R3; 7 K-B5, K-N4; 8 N-K3, K-B5; 9 N-Q5 ch, KxP and the game was quickly drawn. This missed opportunity spoilt White's chance to tie for first prize with Anatoly Karpov - it pays to know endgames.

Chess magazine, popular for 50 years, is to be relaunched next month. For a free copy, write to Pergamon Chess, Sutton Coldfield, West Midlands B73 6AZ. As part of the relaunch and of the London Chess League's centenary, the Barbican Centre stages a Sunday afternoon festival on March 20 (noon-7 pm). The occasion includes free games against grandmasters, blitz tournaments with prizes, a simul by world girl champion Cathy Haslinger and a problem solving contest. Feature of the afternoon is an open-to-all 1000-a-side match between North and South London. If you would like to play, write to Chess for more details.

BLACK (1 MAN)



WHITE (3 MEN)

This ancient puzzle has baffled many chessplayers, even experts, in its time. Obviously White can mate in two by 1 R-R6 ch, KxR; 2 R-R8, but how can White (to move) mate in three moves against any defence, moving each of his three pieces once only?

Solution Page XV

Leonard Barden

BRIDGE

MY FIRST hand today comes from rubber bridge:

South dealt at game all and opened with one no trump, to which North replied with two clubs. Having a balanced hand and plenty of points, North would have been better advised to ignore Stayman, and bid three no trumps, a contract which South would have made with an overtrick, unless West had been inspired to lead king and another diamond. South rebid two hearts, and North raised to four. West led the ten of clubs.

N
♠ A K Q
♥ Q 10 7 2
♦ 8 6 3 2
♣ Q 3

W
♠ 10 8
♥ 9 8 6 5 3
♦ K 9
♣ 10 9 8 6

E
♠ J 9 7 6 4
♥ —
♦ A Q J 5
♣ 7 5 4 2

S
♠ 5 3 2
♥ A K J 4
♦ 10 7 4
♣ A K J

Winning with his king, South cashed the ace of hearts, East discarding a spade, then cashed ace and knave of clubs, and tried to cash dummy's three spades. West ruffed the third lead, and now there was no means of avoiding the loss of three diamonds. One down.

The contract could have been made. When he has cashed the heart ace, declarer should cash ace and king of spades. Then he plays ace and knave of clubs. When West follows suit to the knave, dummy's queen of spades is discarded, and a spade is led from hand. Nothing can stop the declarer from ruffing on the table, and cashing three more trumps for contract. If West happens to hold two clubs, and ruffs, dummy overruffs, and now South can draw the trumps and cash dummy's three spades, again making 10 tricks.

The solution is easy when pointed out but it is strangely elusive. Did you manage to find it?

The second hand comes from a rubber of high standard:

N
♠ K 9 7
♥ K 6 5
♦ J 7 4 3
♣ A 6 5

W
♠ 4 3
♥ J 9 8 2
♦ 9 8 6 5
♣ K Q 7

E
♠ 8 5 2
♥ 10 3
♦ A K Q 10
♣ 9 8 4 2

S
♠ A Q J 10 6
♥ A Q 7 4
♦ 2
♣ J 10 3

East dealt with both sides vulnerable. South opened with one spade, and North replied two no trumps. When the opener rebid three hearts, North rightly gave jump preference with four spades, which became the final contract. West led the nine of diamonds.

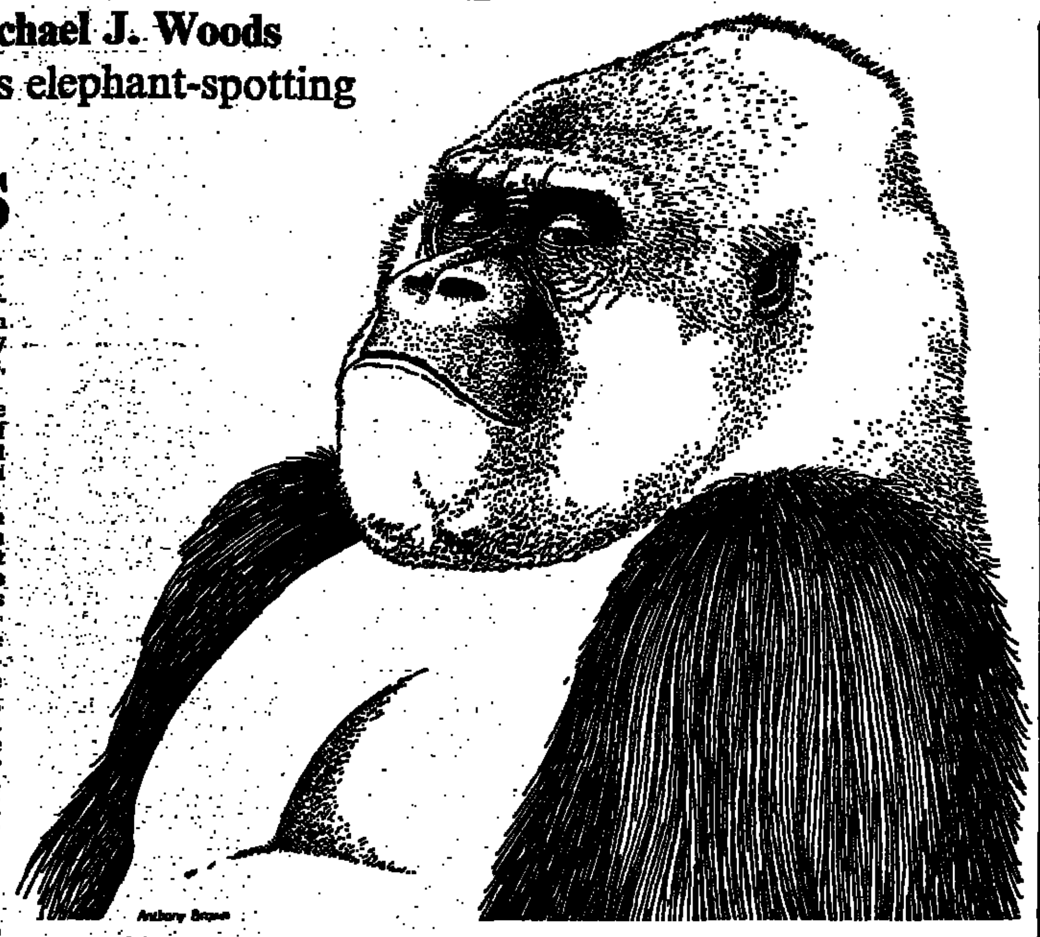
Winning with the 10, East returned the ace, and South ruffed. He crossed to the king of hearts, returned a heart to his ace, then played a spade to dummy's king to lead the last heart. East discarded – ruffing a loser gains nothing – and the queen scored. Now the declarer ruffed his fourth heart with the nine of spades, drew trumps, and claimed his contract, conceding two clubs.

If East does ruff the third round of hearts, and leads a club, South wins with dummy's ace, plays the ace of spades to draw the trumps, and discards one of the clubs in dummy on the queen of hearts. West can make one club trick, but there is a trump left on the table, which can deal with another club. Declarer loses just one diamond, one club, and one ruff. Expert declarers, like good shepherds, always look after the sheep – the side suit – before drawing trumps, to protect them from marauders, the enemy ruffs.

E.P.C. Cotter

In the first of two articles, Michael J. Woods tracks gorillas. Next week he goes elephant-spotting

Gentle giants



Anthony Browne

A FIERCE and frightening scream came suddenly from the dark shape behind the bushes and we flung ourselves down submissively as we had been instructed. Shaken by the intensity of the sound, I looked apprehensively over my shoulder for three hundredweight of angry silverback gorilla to come hurtling through the undergrowth, tearing up small trees in a mock charge.

Do not run, our guides had said; but could I stop myself, I wondered? The guide made a few reassuring belch vocalisations, or BVs as they are called by gorilla experts. To gorillas, they are simply the sounds made by their content companions, all invisibly munching away deep in the lush vegetation, and the calmed silverback crunched another stick of celery.

In order to visit these gorillas, we had come to the Volcanoes National Park in Rwanda, along tracks roughly surfaced with volcanic rock and frequently scoured by water running off the mountains. These led finally to the park centre where our permits were checked and our guides allotted to us. Only six people per day are allowed to visit each of the habituated gorilla groups, and then for an hour at most.

At first we trailed along a meandering path through fields of potatoes, beans and pyrethrum whose cultivated fingers claw at the very borders of the park. Underfoot were flowers of the British countryside — ribwort plaintain, ladies mantle and violets — growing at a height of 10,000 ft and almost on the equator.

At the edge of the bamboo we stopped and, in French, learned a little about gorillas and what we had let ourselves in for. We were looking for Group 11, led by the silverback Ndume. We would walk until we found their trail and then there was to be no talking.

By following their trail quietly we hoped to come close to them without disturbing them. We had been told to avoid eye contact, which constitutes an act of aggression in gorilla etiquette, and, should the male charge, to crouch, look submissive and, above all, not turn and run.

After supplying us with bamboo poles to make walking easier, our guide disappeared into the bamboo, panga in hand. He was followed by a Clint Eastwood figure wearing a cape and toting an ancient rifle — to deal with any lone and bad tempered buffaloes, we were told.

The bamboo forests had the quiet quality and soft light of larch woodlands and we padded through them on layers of fallen leaves.

Suddenly we burst out onto a mountainside covered with lush vegetation and began to climb. It was breathless work keeping up with these mountain men at this altitude.

We slithered up and down the path alternating between enclosing bamboo and open nettle patches. Mist swirled around us, smothering the volcanic peaks. It began to rain. Then the message filtered back. We had found their trail and there was to be no more talking. Within yards I noticed droppings that could only have been left by gorillas and then we abandoned the path and began almost to swim through the wet shoulder-high undergrowth.

The guide wielded his panga to open an easier way and we mounted, gasping, to a ridge. With reverent gestures we were beckoned forward and there, 50 yards below us, sat a dark shape feeding quietly in a great green bowl — our first gorilla.

We surrendered our sticks and crept downhill behind the guide who began to make BVs in order

Wildside

to placate the rest of Group 11 who were hidden from view. His greatest concern was to locate Ndume and, this done, he led us right up to the first female we had seen.

She averted her face and the thick black fur on her head and neck glistened with moisture from the mist and rain. Gradually she relaxed and began to feed again, glancing at us from time to time with liquid brown eyes under heavy brows. After a while, though, either the overwhelming attentions of the cameras became too much or she had exhausted her food supply, for she turned on all fours and slipped away.

By standing still for a few moments it was possible to locate a number of other gorillas: a silverback in the bushes on my left with another female, a youngster of five or six just down the hill, an adolescent male further up the path and, unseen in the vegetation, another young gorilla who beat his chest "a-pock, a-pock, a-pock."

The forebearance of these shy and beautiful apes was remarkable in allowing us to invade their privacy with such indelicacy. It was awesome to be able to approach them with confidence and know that, although wild, they would neither flee nor attack.

There are only about 240 mountain gorillas left, and although their survival is by no means assured the Mountain Gorilla Project in Volcanoes National Park is having some effect. Tourism is an essential part of this plan - for it brings foreign exchange to Rwanda and thus ensures that the Government maintains its concern to protect the gorillas' habitat.

Apart from habitat loss, poaching is still a problem and while local people may no longer seek to kill gorillas, unless to fulfil the illegal request of a callous collector wishing to secure a baby, their antelope snares take a toll. Ndume, the silverback, had lost his hand to one as a youngster, and such snaring continues.

In Zaire's Kahuse-Biega national park, gorilla trekking is somewhat different. Early in the morning trackers are despatched to locate the gorillas and they return to lead the visitors directly to them. These are eastern lowland gorillas, less shaggy than their hardier mountain counterparts and with a population of about the same size. They, too, are under threat.

In less than half an hour we found our group climbing about in the forest in sunshine. They seemed happier than those in the mountains, but that may just have been the weather. Even the silverback was in a tree plucking leaves and flowers and pushing them into his mouth. His back was to us; he looked like a giant silver grey teddy bear sitting on a branch above our heads. He passed wind, long and loudly: no doubt the result of his vegetarian diet.

After a while he began to climb down and we needed little bidding to group behind John, our guide, as the animal's feet touched the ground and he turned to face us. A small movement in our direction was rebuffed by soft words, and he sloped off to feed.

John explained in whispered English that this was Maheshe, or first born, and that there were 22 gorillas in his group. They would spend until December in the bamboo forest, before moving into secondary forest to feed on fruits and flowers. Maheshe pushed through a tangle of creepers deeper into the forest and we were advised that it was time to leave his group in peace.

Impressive as these adult male gorillas are, I shall always treasure my final view of a gorilla, a juvenile swinging exuberantly from a liana to pluck flowers from a chibirabira tree. The sun was behind him and his black furred body was surrounded by a beautiful silver halo.

● I travelled to Rwanda and Zaire c/o Abercrombie & Kent, of Sloane Square House, Holbein Place, London SW1W 8NS, (tel: 01-730-9600).

Encounter Overland of 267 Old Brompton Road, London SW5, (01-370-6951), has a five- week mountain gorilla safari travelling by truck and sleeping under canvas.

Donations to the Mountain Gorilla Project at the Fauna and Flora Preservation Society, c/o The Zoological Society of London, Regent's Park, London NW1 4RY.

Welsh whizzer

BRIEFING

PARIS, Venice, Istanbul . . . Llandudno. Luxury rail travel comes to Wales in July and August when the Orient Express Pullman carriages, associated with glamorous travel in the 1920s and 30s, take passengers on a week-long tour of Wales. Staying at some of the country's top country house hotels by night, passengers will visit Cardiff, Caernarvon Castle, Portmeirion, the Wye Valley and Snowdonia and take trips on the narrow-gauge Ffestiniog Railway and the Vale of Rheidol Railway.

The seven-day-tour costs £1,710 per person including meals on board. Passengers opting for part of the tour pay £950 for four days. Further details from Venice Simplon-Orient-Express, tel 01-928-6000.

●

COLIN Thubron has won this year's £2,000 Thomas Cook Travel Book Award for Behind the Wall (Heinemann, £10.95), his account of a journey through China. The £1,000 award for the best guide book went to Stephen Batchelor for The Tibet Guide (Wisdom Publications, £13.95). A special prize was established for a book combining excellence in photography and good writing with the award of £500 to writer James Bentley and photographer Charlie Waite for their book Languedoc (George Philip, £14.95).

●

BILL and Pam Bryan have produced a beautiful booklet to promote their unique travel service, Off The

Beaten Path. The Bryans offer to arrange personalised itineraries for individuals, families, groups of friends and companies who wish to visit one of the most spectacular, lesser-known regions of the US: the Northern Rockies — Montana, Wyoming and Idaho.

Their charges range from $75 for a telephone consultation to $850 for a complete personalised itinerary. Off the Beaten Path is at 109 East Main Street, Bozeman, Montana 59715. Tel: 406-586-1311.

Annalena McAfee

Not everyone's cup of tea . . .

DESPATCHES • Darjeeling •

DARJEELING is no longer the magnet it once was for trekkers, itinerant Aquarians and nostalgia-tripping Raj enthusiasts. In fact the tourist trade has shrunk to nothing. Every day, the little mountain ponies which used to provide transport for the less energetic are caught and tacked up to stand in a forlorn huddle in the town centre. But the ostlers have long since given up trying to hawk rides to the shrine on top of Observatory Hill.

The reason for this sad state of affairs is that the town, together with its surrounding district, is the focus of a dispute between Gorkha separatists and the West Bengal government. Over 80 per cent of the population in the region is of Nepalese origin. These Gorkhas, as they are known, are demanding autonomy for themselves within the Indian union and the communist regional government will have nothing of it. Over 2,000 paramilitary troops have been deployed to maintain law and order.

Nevertheless, Darjeeling still has about it a faint whiff of gentility. This is entirely due to the British influence and finds its expression in much of the architecture of the town. Many of the larger private houses are built in the fashion of Victorian villas and would not look out of place on the sea-front at Frinton.

But the most impressive reminder of *temps perdu*, and under the present circumstances the most sorrowful, is the Planters Club. This is a splendid, pillared building in the Palladian style, painted throughout in a verdant green. From its balcony, you may sit drinking tea and watching the sun settle among some of the most spectacular scenery in the world. Kanchenjunga, a mountain so holy to Buddhists that its summit may not be climbed, is clearly visible throughout the clear winter months.

I was invited to stay at the club by the secretary, a diminutive and extremely pukka, toothbrush-moustached, retired Colonel of the Indian Army. I had gone in for a scoop, only to be met with unexpected hospitality. The Colonel showed me over the club, pointing out its trophies and pictures, all of them sporting and reminiscent of past glory. Most spectacular was a complete set of "Snaffles" prints depicting a pig-sticking expedition. "A priceless collection!" exclaimed the Colonel.

I found myself the only guest and was attended by the Senior Bearer. He was a comical little man in faded blue coat and corduroys who explained that he had been with the club for "thirty years, thank-you-sir."

In those far off days, there had been only a handful of Indian club members. Today, the only Englishmen listed in the yearbook are overseas members. The last white planter was murdered by his workers some years ago. His rotting Mercedes lies in the garden: "The police won't let me touch it until the case is closed." explained the Colonel.

Anyone visiting Darjeeling should not miss the opportunity to watch sunrise from Tiger Hill. You must tip out of your bed at four o'clock. You are driven up the mountain road, shutting your eyes as the vehicle slews round vicious hairpin bends along the switchback 15 miles to the viewpoint.

The top of Tiger Hill stands at just under 10,000 feet and, looking eastward, the horizon is considerably below. In effect, you look down on the sun as it comes up. It is quite light before the sun actually makes its appearance. When it does, it is as a tiny chip of ruby which grows before your eyes. After perhaps five minutes, it has become a pearl-sized disc, still below you. Next it seems to draw strength into itself, visibly dissolving from red to blinding white. In less than a quarter of an hour you can no longer look, turning instead to contemplate Kanchenjunga.

No matter what the political situation, this attraction does not charge. But these are sorry times. Without the bustle of visitors (over a thousand a day during an average season), Darjeeling has a shuttered air, like a seaside resort in winter. And the militiamen serve as a reminder to the adventurer that this absence of tourism is no return to Eden.

Alexander Norman

London Property

PROPERTY

John Brennan looks at a scheme for a former hospital site in London

Little Venice to get bigger

The south side of the planned Maida Vale project

THERE IS not a single British bank in the financing consortium backing the largest private residential development scheme in West London since the 1930s.

Last autumn, the UK contingent bowed out of the line-up providing a five-year, £59m project finance credit facility for the Declan Kelly Group's Carlton Gate scheme on the grounds of the former St Mary's Hospital by the Regent's Canal in Maida Vale, W9. In the end, the money to buy and build on the 10-acre site came from a US/Japanese/French/Irish/Austrian consortium led by Security Pacific EuroFinance and The Sanwa Bank.

"UK banks were invited," says Jim Bradley, the executive director of Security Pacific Hoare Govett, which structured the loan package, "but it wasn't something they went head-over-heels for."

As a residential development which has £30m of site costs and around another £30m of infrastructure works to be paid for before spending a penny on the first of 582 flats and houses, the facility involves a more complex set of stage payments and payback arrangements than on a comparable scale commercial property deal.

As such, much of the credit for gathering in the banks must go to the elegance of Bradley's packaging. But as the largest residential funding of its kind since October's financial storms, it also says something for the international banks' confidence in the central London housing market.

Robert Taylor, Declan Kelly's development director, was amazed at the care taken by the international banks in checking the fine print of the development proposals, and the area's potential.

"The Japanese bankers were out walking the streets, seeing how far the site is from Paddington Station, seeing where it lies in relation to Little Venice."

What Security Pacific, Sanwa, The Long-Term Credit Bank of Japan, Osterreichische Landerbank, Gotabanken, Bank of Ireland, Banque Nationale de Paris, Credit Lyonnais, the Bank of Yokohama and Credit Commercial de France saw in the former hospital site is a potential greater Little Venice.

Lying alongside the Regents' Canal, but south of the Harrow Road and beyond the usual borders of Maide Vale's prime property, the old hospital site attracted a truckload of cost and design tenders when the health authority put it on the market last year. In the event, Declan Kelly had a head start. The Westminster planners, having shown, at it's 112-unit Portman Gate development along the road at Lisson Grove, Marylebone, that as Declan Kelly himself says, "good design sells."

Starting as development director of a housing association, frustrated at the bureaucracy of public sector housing, and progressing to own-account developments in North East London, Kelly has plenty of experience of inner city housing. "You need a big enough scheme to be able to 'lift' an area," he says. The route to getting corporately big enough to tackle larger projects involved buying Guildway, the Guildford-based timber frame system building company and interesting Eagle Star Insurance enough to take a 20 per cent stake in the group.

A foreign consortium provided the £59m loan package for the Carlton Gate scheme in Maida Vale

Demand for timber frame building in Britain is starting to recover after the over-sensationalised criticism it received on television some years ago, while international demand has never faded. But it was the move out of town that really spurred growth. "That proved to be the best thing we ever did," says Kelly, "because we kept attracting refugees from the volume builders who wanted to live down here."

Housing in Thamesmead, Harrow on The Hill, redevelopment of the former Oddbins warehouse on Wapping High Street in London's Dockland, as well as sheltered housing projects in London and the South East will bring Declan Kelly's home completions total up to 600 this year, with half a million sq ft of commercial developments to leaven the mix.

It's an impressive track record, but Carlton Gate – taking its name from the nearby Carlton Bridge across the Regent's Canal – is a quantum leap in scale for the company. Some £53m of building works on top of the site acquisition, infrastructure, and financing charges, take costs over a four-year building programme well beyond the £100m mark.

So, what is going to appear over the road from Sutherland Avenue in the canal-bordered crescent of land between the Harrow Road and Westway? Thus far the most broadly used public description has been of "penthouses on a marina." That sound like no mean feat of construction, but it hardly does justice to architects' Phippen, Randell & Parks' actual designs.

There will indeed be three water gardens, and a total of 11 three and four bedroom penthouses, but between the two will be 60 studio flats, 198 one-bedroom and 289 two-bedroom flats plus a number of three-bedrooms and three and four-bedroom houses. Add a landscaped canalside, enough underground car parking for everyone in the 582 homes, and you have a substantially larger project that Chelsea Harbour in Fulham or any of the current Docklands schemes outside the megadevelopments under discussion in the Royal Docks.

Declan Kelly was granted full detailed planning permission for the scheme some weeks back, and Mowlem Management is already on site working to a schedule that should have the car parking, initial landscaping and the 47 flats in "Trinity," the first of the courtyard apartment blocks, ready to move into late next year. The whole development is scheduled to be finished by 1992, with sales of 125-year leasehold flats and freehold houses timed to fit in with the completion of each section of the scheme so that early buyers won't be living in a building site.

Brian Lack & Co (01-586-5929) is the first agent on the scene for Declan Kelly, and while the developers are not at all keen to see too many futures traders among the prospective buyers, they are considering forward sales, probably on a stage payment basis with a 5 per cent deposit on exchange and a couple of further 5 per cent payments in the course of the construction period.

Pricing averages around £250 a sq foot, with £90,000 to £95,000 studios) ranging in size up from 350 sq ft to half a million pounds of so for the largest, 2,000 sq ft-plus four bed penthouses. Sizes vary throughout the scheme, but apartments are to be on the generous side, with one-bed flats around 650 sq ft, two bedders at 850 sq ft, and threes at 1,100 sq ft or so.

If Declan Kelly and the overseas bankers are right, Carlton Gate should certainly be big enough to "lift" this edge of Maida Vale.

Overseas Property

Country Property

Country Property

Rentals

London Property

International Property

Country Property

Country Property

· PROPERTY ·

Cheryl Taylor looks at plans for the resort of Le Touquet

Old England in Normandy

SINCE Edwardian times, Le Touquet has been a favoured holiday home location for the English aristocracy. It has since become fashionable with the French, particularly wealthy Parisians. But, for all its French chic, its elegant shops and fine restaurants, Le Touquet still retains the character and style of old England grafted on to the Normandy coastline.

The most impressive hotel is called the Westminster; the town's first golf course was established by an Englishman 85 years ago; and many of the grand old buildings on the seafront would look equally at home in Southport or Ventnor.

Its full title is Le Touquet-Paris Plage, being the closest beach to the French capital. It is 160 miles from the Arc de Triomphe but only 120 miles from Marble Arch, conveniently placed for a weekend retreat.

Nestled alongside a wide, sandy beach, that seems to go on for ever, and fringed by a forest of umbrella pines, it is difficult to believe that such a stunning resort is so close to the grubby Channel Ports. It is only half an hour's drive from Boulogne, and access can only improve when the Channel Tunnel is opened.

The attractions of this very English resort in northern France, have not escaped the eagle eye of George Walker, the canny chief executive of leisure group Brent Walker. He bought Brighton Marina in 1985 to mutterings of "white elephant" from the City, paying £13m for the 170-acre site. He inherited none of its debts and immediately recouped £10m by selling a slice to Dee Corporation. Now, he looks set to pull off a similar coup at Le Touquet.

In April Brent Walker paid £4.8m for Le Touquet Syndicate, a British company owning leisure interests on the north French coast. Before this acquisition BW had no overseas assets. The group now owns 1,500 acres of freehold land around Le Touquet, including a hotel, clubhouse, casino and three golf courses.

Brent Walker has planning consent for up to 100 homes, a new 120-bed hotel and leisure centre, and an 18-hole golf course and negotiations are on with prospective developers.

Walker tells me that contracts are now drawn up with the British Housebuilders, Barratt Homes. Barratts is buying 300 acres of land at Le Touquet, and building 1,000 homes. In a shrewd fifty-fifty deal, Walker is giving them a 50 per cent discount on the land price, in return for a percentage share of profits made on the house sales.

The Barratt deal will net Brent Walker £9m for the land, and leave it with most of the 1,500 acre estate and future revenues from the homes and leisure facilities. Thus Brent Walker will have made a tidy profit in less than a year.

Profits from land and housing are expected to pay for the total Brent Walker investment of £18m, including the initial investment, plus estimated future spending of £13m being made by the group's new overseas division Brent Walker International (a Dutch registered company).

Around 10 per cent of the properties will be sold on a timeshare basis, with a maximum of four owners to each villa or apartment. Facilities include three different types of golf courses, practice putting greens, driving range, and a clubhouse with restaurant, bar and a pro-shop. Tuition may be taken from a full-time golf pro.

The new leisure complex will offer tennis and squash, badminton, snooker and a fully equipped gymnasium with saunas and indoor pools. Aquatic sports will also be available. There is good riding, hunting, shooting, and fishing to be had. If you're feeling flush, there are always Le Touquet's famous casinos.

Two new hotels are planned, including the £7m Brent Walker Golf Hotel with 120 beds, club house, restaurants, shops and sports centre; and the £4m Casino Hotel, an extension to the existing building, with another 60 luxury suites and conference facilities. The existing hotel, Le Manoir, an imposing Norman mansion overlooking the forest golf course, with 42 beds and a few secluded bungalows, will remain.

The whole emphasis at Le Touquet will be on style and space. Building density must be kept to a maximum of 20 per cent of the land; and any trees displaced during building must be replaced. No high-rise blocks are allowed.

Within the 1,500-acre estate two holiday villages will be built, containing 850 villas and apartments, as well as a further development of more palatial homes. The developer here will be Barratt Homes. Building starts this summer.

Close to the sea, and enjoying views over the fairways, May Village has been designed with golfers and families in mind. Built in typical Spanish style, the 500 cluster villas and apartments will surround tree-lined village squares with tiny fountains. This complex will have its own clubhouse restaurants, swimming pools and sports centre.

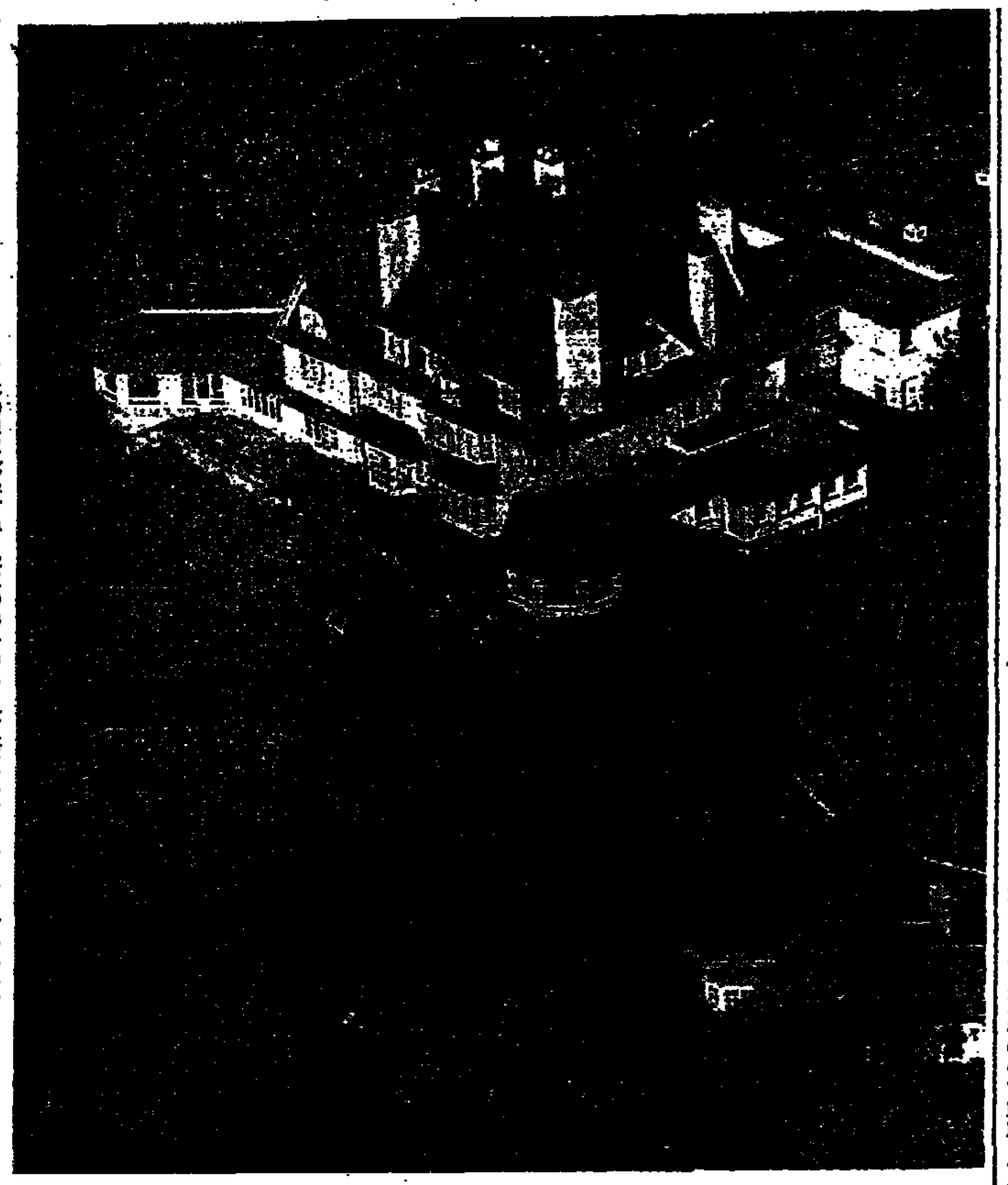
Prices are likely to start from £65,000 for a studio. Villas range in price between £75,000 for one-bedroom; £100,000 to £150,000 for those with two and three bedrooms; rising to £250,000 for larger detached homes, with secluded gardens and private pools.

At the new seaside village of Stella Plage, a complex of around 350 individual houses and terraced villas is planned. A selection of houses will be selling from around £100,000 for two bedrooms and from £150,000 for a detached three or four bedrooms.

For those seeking luxury and seclusion, a futher phase of larger detached houses is planned, on plots of up to 1,000 square metres, built to individual specification on the edge of the Forest Golf Course. Prices are expected to begin around £250,000 for a four bedroom house with private pool.

George Walker tells me he has already earmarked the original gate-keeper's house – a rustic cottage in the heart of the forest and close to the golf course – for himself. Walker says it is currently taking him three hours to reach Le Touquet from his Knightsbridge office. Hence his enthusiasm for the Channel Tunnel. "Le Touquet has to be a winner, it is located just 15 minutes drive from the French end of the tunnel," he says. Brent Walker has bought land sites for two hotels, one on either side of the tunnel entrances. Just to be on the safe side, Walker has also bought a few shares in the airport at Le Touquet, just two miles from his estate.

The group's other overseas asset is Port Sherry, a new holiday complex and marina in Cadiz, southern Spain. Brent Walker recently paid £9.5m for 76 per cent of the shares of Marina Puerto Santa Maria, a 1,000 berth marina with dry dock facilities for 3,000 boats and around 200 acres of freehold land. Planning permission has been granted for 1,100 homes and a new hotel, and building will start soon.



The hotel Le Manoir at Le Touquet

Yen for homes

BRITISH builders complain constantly that site costs stop them erecting low-cost housing in the places people want to live. Housing and Planning Minister William Waldegrave has confirmed that the Government is looking again at the application of green belt controls that lock-up so much rural wasteland as well as genuine farm and amenity land across south-east England.

However, Mark Boleat, director-general of the Building Societies Association, reports that British builders have a comparatively easy time compared with Japan where land costs now represent 63 per cent of the average house price.

That is a proportion at which even residential developers in inner London would baulk and, as a national average, the figure helps to explain why residential properties in the main cities of Japan are often well beyond the budget of any individual buyer.

On the other hand, Japanese builders have been completing more than a million new homes each year throughout the 1980s, finishing 1.25 million in 1985 compared with just 189,000 in the UK. However, even new Japanese homes are 25 per cent smaller than those built in Europe, and Boleat notes: "Most Japanese houses do not have a long life and are of comparatively modest construction. Forty-six per cent of the total are non-fireproofed wooden houses and a further 31 per cent are wooden but fireproofed."

Wooden or not, the sites upon which these Japanese houses sit are so horrifically expensive because of the country's antiquated tax structure and its acute shortage of usable development land. The tax system encourages people to hold on to land, resulting in great sections of Tokyo and other major cities being zoned for farming.

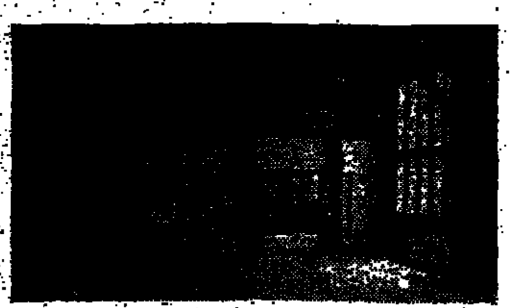
As for the shortage, less than 20 per cent of the Japanese mainland is suitable for farming or building and the competition for what there is shows in property prices.

In the Tokyo area, Boleat says: "Sixty per cent of workers have to travel one hour or more to work and the average house price is now something like seven times the average earnings. Even a small apartment, an hour from Tokyo's commercial centre, can cost around £130,000.

John Brennan

HAMPTONS

VINE ROAD, BARNES, SW13
A magnificent detached family home with self-contained cottage in a superb rural position overlooking the Common. A warm inviting and elegant property. Main house with beautiful hall. 3 reception rooms, kitchen, cloakroom, master bedroom suite, 5 further bedrooms and 2 further bathrooms. Cottage with living room, kitchen, cloakroom, 3 bedrooms and bathroom. Wonderful gardens. 3 garages. Workshop and shed.
£775,000. Freehold.
Hamptons Dixon Porter, Barnes Office: 01-741 1065



HUNSDON, HERTS
In an elevated position amidst beautiful countryside, a development of period barns painstakingly converted and retaining original massive beams. The East Barn: Well designed for entertaining or family use. 3 receptions. 5 bedrooms. 2 bathrooms, kitchen/breakfast room, minstrels gallery. Double garage. Large walled garden. Offers in the region of £400,000 Freehold. The West Barn: Ideal for the larger family or with possible staff accommodation. Reception hall, 2 minstrels galleries, 2 receptions, 5 bedrooms, 4 bathrooms, granny/staff annexe. Double garage. Large walled garden.
Offers in the region of £435,000 Freehold.
Hamptons Barnet Office: 01-441 6776

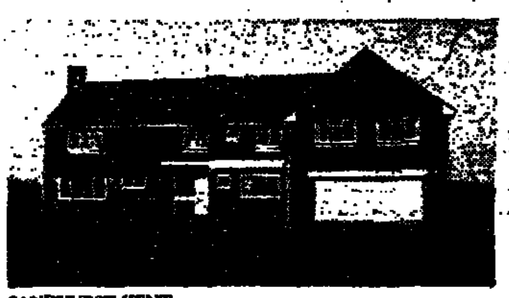
BENGEO, HERTS
Magnificent Grade II listed 18th century period property in a secluded and peaceful setting. Reception hall, 4 reception rooms, fitted kitchen, breakfast room, utility room, 2 cloakrooms, master bedroom suite with en suite shower room and sitting room, 6 further bedrooms, 2 further bathrooms, self contained flat with kitchen, bathroom and sitting room. Double garage. 2 cellars. 1 acre of mature gardens.
Offers in excess of £475,000. Freehold.
Hamptons Barnet Office: 01-441 6776

DULWICH COMMON, SE21
New family home in convenient position for the Village and West Dulwich Station. Principal suite of bedroom, dressing area and luxury bathroom. Guest suite of large bedroom with wardrobes and shower/cloakroom, 3 further bedrooms, bathroom 2 with WC, spacious hall, cloakroom, 3 reception rooms, 'Smallbone' kitchen/family room, utility room. Gas CH. Mainly walled garden. Detached double garage.
Offers invited
Joint Agents: Hamptons Suburban Office: 01-493 8222 (ref IARB) or Marten & Carnaby: 01-693 1515 (ref PA/JA)

CHELTENHAM, GLOUCS
Magnificent Cotswold period house being the major portion of the manor house, in an elevated situation enjoying glorious southerly views towards the Cotswold Escarpment.
Entrance hall, galleried reception hall, 2 reception rooms, kitchen/breakfast room, utility, cloakroom, 6 bedrooms, 3 bathrooms (including 2 suites), cellerage. Gas CH.
Staff flat/studio. Garaging. Stabling and outbuildings.
Gardens and grounds of about 2 acres.
Offers invited in the region of £350,000.
Hamptons Pocock & Lear, Cheltenham Office: (0242) 45661

INGRAM AVENUE, LONDON NW11
A delightful country style home situated in an excellent position close to Hampstead Heath, with a superb 2 acre garden backing directly onto Hampstead Golf Course. 6 bedrooms, 3 bathrooms, 5 receptions, kitchen/breakfast room. Double garage.
£1.2 million. Freehold
Hamptons Hampstead Office: 01-794 8222

HAMPSTEAD VILLAGE, LONDON, NW3
A magnificent period house centrally located with a wealth of period features. Offered in excellent order throughout.
4/5 bedrooms, 3 bathrooms, 3/4 receptions, Garage.
Walled garden, Large studio.
£795,000. Freehold.
Hamptons Hampstead Office: 01-794 8222



SANDHURST, KENT
A spacious Sussex style family residence. Outstanding rural setting with panoramic views in all directions. Entrance hall, cloakroom, 3 reception rooms, kitchen/breakfast room, utility room, master suite of bedroom, dressing room and shower room, 4 further bedrooms, bathroom. Double garage. Heated swimming pool. Stable. Gardens and paddock. About 5 acres.
Offers in the region of £335,000. Freehold.
Hamptons Mayfield Office: (0435) 872294

HAMPTONS BEDFORD

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BRENCHLEY, KENT
A beautifully restored early 16th century timber-framed manor house set in secluded gardens and paddocks in 8 acres.
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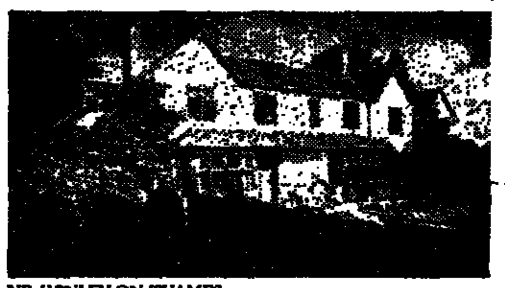
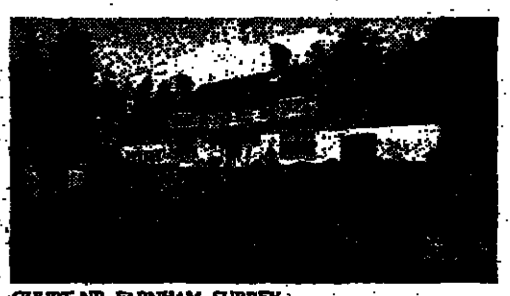
3 bedroom staff cottage.
Offers invited in the region of £1.25 million
Hamptons Mayfield Office: (0435) 872294 and Sevenoaks Office: (0732) 460222

HIGH IN THE CHILTERNS
A fine timbered country house set in unspoilt rolling countryside. 7 bedrooms, 4 bathrooms, 3 excellent reception rooms, good domestic offices. Carriage drive approach. Entrance lodge. Brick stable block with first floor flat. Swimming pool, Tennis court.
Freehold for Sale.
Hamptons London Office: 01-493 8222



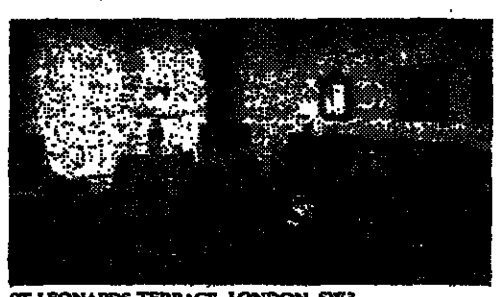
NR HENLEY-ON-THAMES
Superbly situated in this particularly sought after part of the Chilterns, an impressive period family house of quality, standing in gardens and grounds of approximately 6 acres including several paddocks. Principal suite comprising bedrooms, bathroom, dressing room/bedroom 8, 6 further bedrooms, 2 other bathrooms, cloakroom, 4 reception rooms, kitchen/breakfast room. Full oil CH. Garaging. Outbuildings. Swimming pool and tennis court. A further 3½ acres of grazing land is available if required.
Offers in excess of £550,000.
Hamptons Giddy & Giddy, Henley Office: (0491) 572215

CHEYNE ROW, LONDON, SW3
Very attractive mid-terrace period house located in historical part of Chelsea. Offered in very good condition and available for immediate occupation. 4 bedrooms, 2 bathrooms (1 en suite), drawing room, dining room, kitchen/breakfast room, cloakroom. West facing 18' paved garden. Balcony.
£510,000. Freehold.
Hamptons Chelsea Office: 01-835 1444

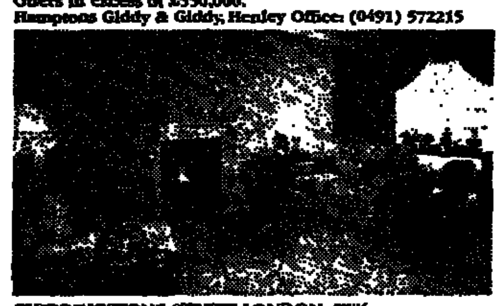


CHURT, NR. FARNHAM, SURREY
A handsome and beautifully appointed Country House with 15 acres adjoining National Trust Commons and some of the finest riding in the County. Oak panelled galleried reception hall, lovely drawing room, dining room, study, sun room, billiards room, cloakroom, luxury kitchen, breakfast room, utility room, main bedroom suite, 4 further bedrooms, 2 further bathrooms. Gas CH. Garaging for 7/8. Hard tennis court. Heated swimming pool. Formal garden, 2 paddocks and woodland.
In all about 15 acres.
For Sale Freehold.
Hamptons Messenger May, Farnham Office: (0252) 714164

BARKSTON GARDENS, LONDON, SW5
Large 2 bedroom apartment with private patio and garden in a totally refurbished building which has been modernised throughout to a high standard, and is very light with an attractive outlook. Hall, reception room, 2 bedrooms, 2 bathrooms (1 en suite), kitchen. Patio. Gardens.
£190,000. Lease 125 years.
Hamptons Chelsea Office: 01-835 1444

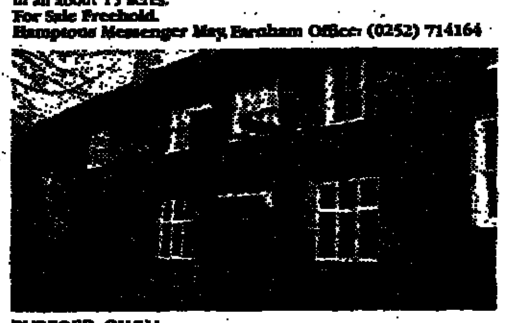


ST LEONARDS TERRACE, LONDON, SW3
Spacious ground and 1st floor maisonette with private street entrance and part of a popular modern development south of the Kings Road, close to Burton Court, in excellent condition throughout. Hall, drawing room, dining room, kitchen/breakfast room. 3 bedrooms, 2 bathrooms (1 en suite), cloakroom. Caretaker. Private garden. Underground car parking space. Contents also available.
£345,000. Lease 66 years.
Hamptons Chelsea Office: 01-835 1444



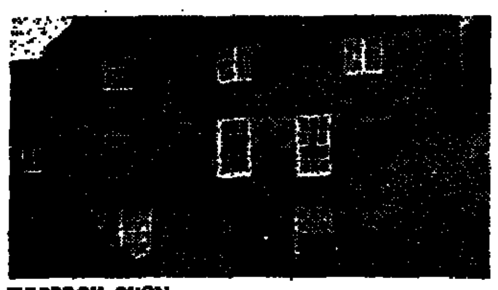
CHIDDINGSTONE STREET, LONDON, SW6
In truly impeccable condition, this must be the most beautifully presented house on the market in Fulham. 4 bedrooms, 3 bathrooms (2 en suite), dressing area, double drawing room, dining room, study, playroom, kitchen, utility, shower room. Garden. Gas CH. Fitted carpets.
450,000. Freehold.
Hamptons Fulham Office: 01-736 8211

STOUR VALLEY, SUFFOLK
A pleasant small sporting estate with modern house, beautiful views, lake, shooting and fishing. Hall, 2 reception rooms, 4 bedrooms, 2 bathrooms, cottage with 2 bedrooms. Modern farm buildings. Arable land. Double and single bank river fishing. About 96 acres.
Hamptons London Office: 01-493 8222 or Saffron Walden: (0799) 22628



BURFORD, OXON
A period Inn (ceased trading) situated in the centre of the historic medieval town of Burford. The property offers great potential for modernisation and refurbishment (subject to the necessary planning consents).
Offers invited in the region of £250,000. Freehold.
Hamptons Burford Office: (099 382) 3636

EMBANKMENT GARDENS, LONDON, SW3
Bright and immaculate modernised 3rd floor flat in a period block with views of the River at the front and the Royal Hospital Gardens at the back. Dining hall, drawing room, 4 bedrooms, 2 bathrooms (1 en suite), kitchen, breakfast room.
Lift. Independent central heating. Caretaker.
£355,000. Lease 60 years.
Hamptons Chelsea Office: 01-835 1444

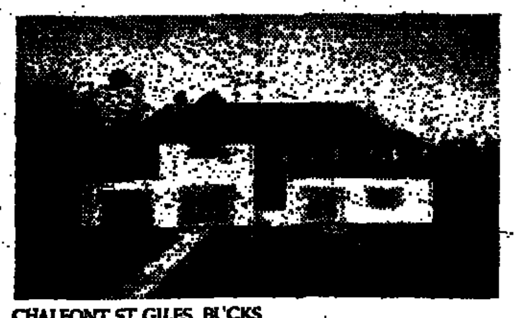


FULBROOK, OXON
A large period village house offering considerable scope for improvement and modernisation, with existing planning permission for a kitchen, conservatory and cloakroom extension. Hall, drawing room, dining room, 6 bedrooms, shower room, bathroom. Space for garage. Attractive south facing walled garden. Orchard with SEPARATE COTTAGE.
Guide price £175,000 for the Freehold.
Hamptons Burford Office: (099 382) 3636

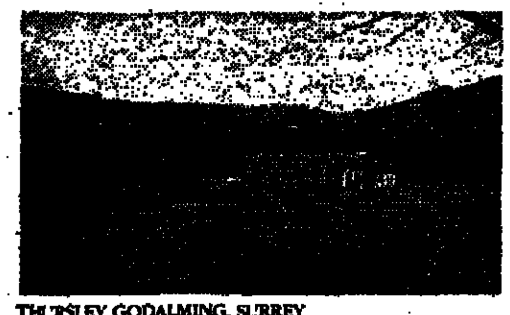
TAPLOW, BERKS
Substantial and attractive Edwardian house with 100 ft river frontage and mooring to the Thames. 2 miles M4 motorway. 6 bedrooms, 3 bathrooms, 2 reception rooms, kitchen and breakfast room. 3 car garage. Gardens of approx 1 acre. DETACHED 2 BEDROOM COTTAGE.
Offers in excess of £500,000 Freehold.
Hamptons Maidenhead Office: (0628) 74433

NEAR CIRENCESTER, GLOUCS
An 18th century stone mansion recently restored and converted for use as a highly sophisticated management communications centre with full office consent and potential for a wide variety of other commercial uses. Reception hall, 4 large and elegant reception rooms, lecture hall/TV studio, dark room, recording and editing studios, licensed bar. 19 bedrooms, 11 bathrooms, sauna. Separate 4 bedroomed cottage. Extensive outbuildings with conversion potential and approximately 10 acres of formal grounds and parkland.
Substantial Offers invited for the Freehold.
Joint Agents: Hamptons Pocock & Lear, Cirencester Office: (0285) 4545 and Hamptons Burford Office: (099 382) 3636

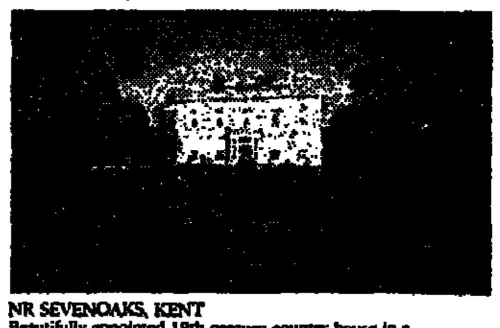
FORMER ROYAL RESIDENCE, AVENUE ROAD, NW8
An imposing Georgian style double fronted detached residence, built 1937, for Prince Arthur of Connaught, grandson of Queen Victoria. This magnificent property occupies 0.43 acres, providing a large secluded garden and a substantial private forecourt. 3 reception rooms, 40' orangery/conservatory, master suite of bedroom, bathroom and 2 dressing rooms, 5 further main bedrooms and 2 bathrooms. Office and staff wing of owner's study, 4 bedroom/private offices, bathroom, domestic offices. Separate staff flat. Double garage.
Price on Application. 41 Year Lease.
Hamptons London Office: 01-493 8222



CHALFONT ST. GILES, BUCKS
A superbly presented and secluded small country estate, built in the style of Lutyens during the early part of the Century. Listed Grade II. Reception hall, 3 reception rooms, music room, billiards room, kitchen/breakfast room, 7 bedrooms, 5 bathrooms (4 en suite). Large indoor swimming pool with jacuzzi. All weather tennis court, equestrian menage, stable block, garaging. Formal gardens, paddocks and woodland totalling about 10 acres.
Offers invited for the Freehold.
Hamptons Beaconsfield Office: (04946) 77744 or London Office: 01-493 8222



THURSLEY, GODALMING, SURREY
An enchanting period cottage with period barn and annexe in an unrivalled and unique country setting. Surrounded by hundreds of acres of National Trust owned land. 3/4 bedrooms, 2 bathrooms, 3 reception rooms, kitchen, cloakroom, entrance hall. Central heating. Timber and tile guest cottage with bedroom, en suite bathroom, kitchenette. Fine timber framed barn/studio. 2 timber garages. Beautiful garden and grounds of approximately 5 acres.
Offers invited for Leasehold (96 years to run).
Joint Agents: Hamptons Messenger May, Haslemere Office: (0428) 2307 and Hamptons Farnham Office: (0252) 712324



NR SEVENOAKS, KENT
Beautifully appointed 18th century country house in a commanding position on high ground. Listed Grade II. Entrance porch, reception hall, cloakrooms, 5 reception rooms, kitchen/breakfast room and domestic offices. Extensive cellars. Master bedroom with ensuite bathroom and nursery. 2nd bedroom with ensuite shower room. 5 further bedrooms and 3rd bathroom. Gardens and grounds of about 10 acres. Also available-separate Coach House/Stable block within a walled garden. Planning consent for conversion to residential use.
Substantial offers invited for the Freehold.
Hamptons Sevenoaks Office: (0732) 460222 or London Office: 01-493 8222

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• COLLECTING •

Antony Thorncroft previews the European Fine Art Fair in Maastricht's new exhibition hall

A supermarket for the super-rich

MAASTRICHT is a pretty Dutch town in the middle of everywhere. Wander a few miles to the left and you are in Germany; to the right and you hit Belgium. Its burghers can't wait for 1992 and the time when the EC tears down its remaining fiscal barrriers. Then, they think, Maastricht will become the community market place.

This year they open a vast exhibition hall for the trading of goods, and among the first users will be the antiques trade. The European Fine Art Fair opens on March 19, for nine days, the biggest, most international jamboree of its kind, with more than 100 dealers offering treasures insured for well over £100m.

What makes Maastricht special for the art market is its location – close to the super rich Rhinelanders; the wealthy Dutch and Belgians; and the collecting French - and the fact that the Dutch government smooths the way for foreign dealers to bring in goods. Other major art fairs, at Florence, Paris, even the Grosvenor House in London, make it all but impossible for overseas dealers to participate.

So, along with lots of Dutch, German and Belgian dealers, and the odd Dane and American, are Johnny Van Haeften offering Dutch paintings (naturally) and Robert Hall, with Chinese snuff bottles; Spinks, back after a long absence, with its oriental side and Wartski with his Russian works of art; Richard Green, with Old Master and some modern, and Michael Goedhuis, with oriental works of art, among a 17-strong British contingent.

This new European Fine Art Fair is a merger of two good natured rivals, Pictura, which specialised in paintings, and Antiquairs International, which marketed decorative items. Now visitors to the grand new surroundings, built in post modernist anonymity on the outskirts of Maastricht, will walk down a floral avenue with some of the most glittering stands imaginable to left and right, one side given over to paintings, the other to works of art. Clemens Vanderven, chairman of the Antiquairs section, thinks the look of the fair will make Grosvenor House seem like an Oxfam shop. It will certainly cover five times the area of London's most prestigious antique fair.

You will not need to be very percipient to notice an abundance of rug and carpet dealers, who make up a sizeable slice of the 26 new exhibitors at the fair. To make them feel welcome the loan exhibition (which is the essential academic gloss on what is basically a rich man's shopping spree) is devoted to "Carpets in 17th century Dutch paintings", put together by Michael Franses of the Textile Gallery in London.

Mme Lebasque sur la plage: by Henri Lebasque (1865 - 1937)

None of the actual paintings will be on display - you will have to rely on large photographic reproductions — nor will any of the actual carpets portrayed in the pictures be there. Despite these two admittedly substantial qualifications the exhibition does highlight a fascinating subject.

Most of our knowledge of early carpets comes from paintings. Rugs and carpets began to arrive in the West first from Turkey, in the 13th century, and by the 14th were appearing in Italian art. You had to be very wealthy to own one, so prestige portraits usually showed a grandee leaning on a carpet which would cover his table, not the floor. King Henry VIII owned 700 carpets and Cardinal Wolsey a few hundred. Most disappeared in the 17th century Cromwellian upheavals and only through art can we trace the development of the carpet maker's skills.

Carpets are now characterised by the artists who depicted them. The "Lotto" has a red ground with yellow arabesques, and is named after Lorenzo Lotto who depicted one in a 1542 painting. It must have been a very popular pattern, especially in the Netherlands, for a third of the thousand Dutch paintings of the 17th century which feature carpets depict a Lotto. Since so few have survived, even from this period, there is now a school of thought which argues that carpets were not that common but that anyone being immortalised in paint wanted to be shown alongside an expensive carpet to boost his prestige. In effect they were studio props.

It is rare for two art forms to develop historically so closely as paintings and carpets, giving academics in two disparate disciplines many happy seminar hours of research swopping. There are two particularly important carpets in the exhibition, both once in the collection of the Maharajah of Jaipur.

One is an Isfahan carpet which is identical to one in a painting in the Jewish Historical Museumn in Amsterdam. It portrays the financier who paid for William and Mary's fateful trip to Britain to claim the throne 300 years ago. He points to an orange in his hand – showing his control over the royal house. The other is an Indian carpet by Mansour with a design based on Dutch floral paintings, which suggests that the traffic in creative ideas was two-way by the 17th century.

But loan exhibitions are there just to make people feel better about profiting from beautiful objects. Most of the 25,000 visitors will be concentrating on the stands. There should be strong local interest in the offerings of London dealer Johnny van Haeften. He is selling four good Brueghels, each by a different member of this prolific family. Perhaps the best is by Pieter Breughel the Younger, showing John the Baptist preaching. There are more than 150 figures in the canvas, making it some sort of bargain.

Other London dealers returning coals to Maastricht include Richard Green, who is offering an attractive portrait of a young girl holding a bunch of flowers, by the 17th century Dutch artist Jacob Cuyp, and Chaucer Fine Arts selling such unmistakeable Low Country names as Vrancx, Valckenborgh, and Blommendael.

Richard Green also has a painting by one of those second division Impressionists now being collected partly for their worth but also because the really Big Boys, the Manets, Renoirs, Monets, etc. are so astronomically expensive. It is a pretty garden scene by Henri le Sidaner.

Into the same category falls Henri Lebasque. Jacques van Rijn, a local Maastricht dealer, should have few problems in disposing of the very decorative beach scene illustrated here. It is priced at around £50,000. Noortman, who has shops in both London and Maastricht, also has a Lebasque, an equally pretty scene of his two young daughters in a boat, which will be snapped up by the decorative trade. One more Lebasque comes from the only American dealer showing, Montgomery Gallery of San Francisco. In contrast he also has one of the best Old Masters on offer, a Goltzius of Lot and his daughters.

The attraction of this fair is that few of the thousands of objects for sale are tired old beasts, that have been hawked around the auction houses. Dealers in Holland, Germany and France are not so dependent on Sotheby's and Christie's as British dealers for their stock and buy more objects from private collectors. Obviously there is a bias to the region and around a third of the paintings will be stolidly Dutch, but plenty of clocks, oriental ceramics, silver and furniture give the fair a general appeal.

There is a particularly interesting group of arms from Slijkerman & Slijkerman, including a pair of pistols hidden away in a Bible, the reassuring companion for ladies in the early 19th century when forced to travel by stage coach. Ominously these pistols have been fired. The same dealers also offer, for a ridiculously low-sounding £1,000, an Iron Age sword in perfect condition, probably lost by a warrior in the river near Innsbruck around 1,000 BC. It is wonderful, both in its antiquity and its grace. In contrast, on the same stand there is a wheel-lock gun made in 1590 for the Elector of Saxony, a relic of the period when such weapons, rather like nuclear weapons, were for ceremonial prestige purposes rather than for use.

It is a pity that London, still the centre of the international art market, has not managed to produce the world's leading antiques fair. Grosvenor House is dominated by British dealers; Burlington, at the Royal Academy, is irregular and cramped. The others cater for the general market. Maastricht offers good, internationally collected antiques, like Dutch pictures and French furniture, as well as the more specialist sectors, like Dutch clocks and Germann furniture, which have a mainly local appeal. One day it might be seen as the fair for Europe. At the moment it still glitters as a lost opportunity for the British fine art trade.

ARTS

As Munich polishes up its musical traditions, Andrew Clark reports:

Quality overcomes quibbles

DOES MUNICH'S current bill of musical health do justice to its long and illustrious past? The coming months will provide a useful test, for Munich is hoping to channel outside attention not to its beer festivals or Catholic sobriety, its Bavarian independence of spirit, or well-heeled internationalism, but to its prowess in the musical arts.

A good start has been made with the re-opening of the historic Prinzregententheater, the only theatre to follow the Bayreuth model, and the scene of the young Georg Solti's first triumphs as an opera conductor. The theatre closed in a state of general disrepair in 1963, but, thanks to a successful public appeal and a DM39m (£13.5m) cash injection by the state government, the 1,000-seat auditorium has been splendidly restored, and is now serving as a venue for recitals, concerts and a temporary home for the city's main drama company. But the same amount will have to be found again, if the stage area is to be upgraded and the theatre is to find a valid permanent role in the city's cultural life.

Meanwhile, Munich's three most august musical institutions each have a major project to hand: the Bavarian State Opera is tackling the operas of Richard Strauss in a complete cycle; the Bavarian Radio Symphony Orchestra has embarked on a new studio recording of Wagner's *Ring* for EMI, which will keep it busy on and off till 1991; and the Munich Philharmonic Orchestra, sponsored by Audi, is preparing an ambitious touring programme, which will include visits to Israel and the United States. New music has not been forgotten: conscious of Munich's poor post-war record in this field, the city government has poured DM5m (£1.7m) into a contemporary music festival in June, with Hans Werner Henze as artistic director and including the premiere of a new music-theatre work by Mark-Anthony Turnage. If successful, the festival will be staged every two years.

Taken as a whole, this calendar of activities looks like a collective affirmation of cultural vitality. The realities behind the facade, however, are less palatable. For all Munich's historic association with Wagner, Strauss and a long line of distinguished German conductors, it has in recent years given the impression of clinging to the past at the expense of creating a lively and innovative present. Perhaps culture in Munich has become too institutionalised: certainly, no one can complain of a lack of state support. But the very size of the state investment makes culture a key political issue. Indeed, Munich must be the only major European city where the popular press is able to treat high art like soap opera.

At the Munich Philharmonic, whose DM23m (£8m) annual subsidy puts recent talk in London of "the first £1m orchestra" into some perspective, Sergiu Celibidache's Indian summer has turned a dull orchestra into the hottest ticket in town. At 76, he has made a remarkable recovery from the illness which struck him six years ago, and his Stokowski hair style and outspokenness have only served to increase his standing as a local cult figure. (He has even featured on a phone-in radio show.) But his uncompromising demands have claimed a number of well-publicised victims. The orchestra has been without a manager for two years, because, with Celibidache around, the job is just too hot for any sufficiently experienced administrator to handle.

The Bavarian Radio Symphony Orchestra, which normally keeps itself above the waves of controversy, unexpectedly displaced the MPO from the headlines at the start of the year, but not in the way it wanted. Conscious that, under Celibidache the MPO had stolen the publicity initiative, the radio orchestra decided to recruit Justus Frantz, the highly successful founder-director of the Schleswig-Holstein festival, as artistic adviser — but with the rank and salary of a fulltime functionary. The idea has backfired. Sir Colin Davis, the BRSO's popular principal conductor for the past six years, was not properly consulted; Frantz's proposals for a Mahler cycle and more Bernstein appearances do not seem to have been thought through; and the conflict of interest between his duties in Munich and his career as a concert pianist, festival director and piano professor in Hamburg is already presenting a field of landmines for the orchestra.

Meanwhile, Wolfgang Sawallisch continues to be the target of brickbats over his artistic policy and political acumen at the Bavarian State Opera, where he has been director since 1983. His choice of repertoire and stage directors has been nearly as dull as the company's posters. He has failed to woo Carlos Kleiber back into the pit. His latest upset was to be publicly accused of poor housekeeping by the state audit office, which launched a vicious critique of such payments as the DM3,000 (£1,000) Robert Tear earned as Loge for his silent reappearance in the closing scene of last year's *Ring* production. (Loge's only scripted appearance is in the first of the four *Ring* operas.)

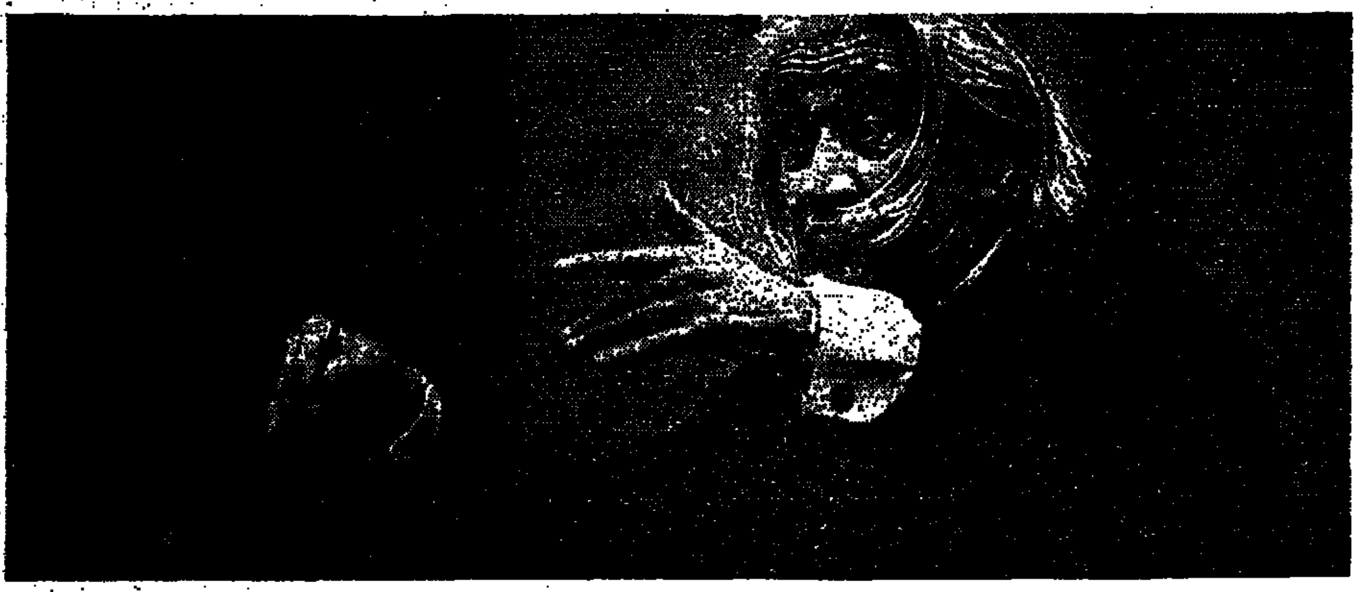
Of course, no major performing arts institution in any city of note can escape the odd banana skin. But Munich's culture barons seem more prone than most at present. At times, one wishes they would show a bit more flair and showmanship. Or, perhaps, it goes against the grain — the names associated with Munich in the past were, after all, the kind who never needed or suited image-building: Walter, Knappertsbusch and Jochum, Kempe, Keilberth and Kubelik. Munich has a knack of attracting and keeping the best of the mainstream school of conductors, all of them specialists in the German Romantics and late Romantics, all capable of preserving and extending the city's unique traditions. Celibidache's incandescent Bruckner performances and Sawallisch's Wagner and Strauss are to be seen in this light.

The singers, too, seem to become institutions. Which other city could persuade two leading Brunnhildes of the 1950s — Astrid Varnay and Martha Moedl — to continue singing small parts on stage into their seventies? Or could stage a top class repertory performance of *Elektra* with a cast in which four of the leading principals (Bjoner, Varnay, Adam, Uhl) were over sixty? Or would dare to put on a festival performance of *Meistersinger* without a single orchestra rehearsal? These are signs not of artistic compromise, but of the strength of tradition in Munich. Sawallisch will soon notch up twenty years as music director at the National Theater, where he conducts seventy performances each season. Celibidache has been with the MPO for ten years and has given up conducting other professional ensembles. Kubelik stayed with the BRSO for nearly a quarter of a century, and, although he retired almost six years ago, the memory of his performances lives on. These are hard acts to follow.

In the end, Munich's music life stands or falls not by the [illegible] of politicking but by the quality and consistency of performance. On that reckoning, the bill of health is pretty clean. The MPO's playing standards and range of guest conductors have improved since the orchestra moved to the new Philharmonie in 1985, and the fact that it is able to play each programme six times to full houses of subscription holders is an added spur. Like the MPO, the BRSO's repertoire is unadventurous — Sir Colin's Sibelius and Berlioz are a curio in Munich — but he has kept it a top-class ensemble, and the recording contracts continue to roll in. As far as the EMI *Ring* is concerned, the inspired and experienced combination of Sawallisch and the Bavarian State Orchestra was presumably considered less marketable than Haitink and the BRSO, neither of whom has played the *Ring* before. But they are no newcomers to this sort of challenge, and in the *Walkuere* sessions I heard, the orchestra sounded properly versatile and robust. The main question-mark will be Eva Marton's Brunnhilde, who, in the *Todesverkuendigung* seemed no less forced, shrill, and cold than in her disappointing stage debut in the role at Geneva earlier this season.

After the exertions of last season's new *Ring*, the State Opera seems to be relaxing into a vintage season. The latest addition to the repertory is Rossini's *Mose*, using the Italian translation of the 1828 Paris version. Although Sawallisch is not normally associated with Italian opera, he made his Munich debut in 1954 at the Prinzregententheater with *Simon Boccanegra*, and the Rossini was given an energetic and thoroughly idiomatic account.

On stage, the focal points were Ruggero Raimondi's Moses, a performance of appropriate *grandezza*, and Carol Vaness as Anaide — her first Rossini part and one that revealed her supple voice as an ideal bel canto vehicle for this opera's bounteous melodies. It was too much to expect drama or psychological depth from the producer and designer, Pier Luigi Pizzi. His production of sympathetic colours and formal groupings was, nevertheless, one of his better efforts, preserving the work's balance of Classical restraint and Romantic fervour. All in all, it underlined that in Munich it is not the new-fangled concepts of marketing, management and music-theatre that count — but good conducting, good singing, and good music.



Sergiu Celibidache, a controversial figure who has made the Munich Philharmonic the hottest ticket in town

A performance of appropriate "grandezza" from Ruggero Raimondi at the State Opera in Rossini's "Mose"

Rapture turns to tears

The ENO and Almeida do not see why the Arts Council or GLA should cut their grants, reports Antony Thorncroft

EVEN WITH a dose of 'flu which reduced his vocal chords to a whisper, Peter Jonas, managing director of the English National Opera, was as bitter as he was eloquent. "In five years we have done everything that the Arts Council has asked of us and more, and now we are told we are a low priority and that it does not intend to reward past success and initiative."

Across town at the Almeida Theatre director Pierre Audi is equally discontented with the news that his annual grant is to be cut by almost 13 per cent. "The reasons given are ironic when the Almeida's reputation is based on a stubborn internationalism which has brought an extraordinary range of performance work from over fifty countries to this north London venue."

The rapture that greeted last November's announcement from the Minister for the Arts, Mr Richard Luce, that he had squeezed a higher than expected grant from the Treasury has quickly turned to tears. In particular the 10 per cent more for the Arts Council, giving it a round £150m, has not produced the anticipated bonuses for its clients.

Mr Jonas is incensed with the 2.5 per cent rise in his grant, to £6.9m. "In the last five years we have raised our box office revenue from £1.6m to £4.8m; our attendances from 345,000 to 420,000; our income from private sources from £93,000 to £650,000. We have improved our efficiency and shed thirty staff, and our artistic reputation has never been higher."

He had asked the Arts Council for a minimum rise of 4.7 per cent. He wanted to use some of the money to finance changes in back stage working practices, involving ten more redundancies, which would save £500,000 over three years. Now the long term improvement programme recommended by consultants Price Waterhouse is in jeopardy and in the short term the ENO has been forced to cancel its planned production in May of "Tannhauser," directed by Ken Russell. This has saved £250,000.

What drives Jonas to greatest despair is that he cannot expect to gain much from the new Incentive Fund which is being set up by the Arts Council to encourage other arts companies to implement the reforms the ENO has pushed through. He has learned that if he gets the full £250,000 available it will be spread over three years.

Like the ENO the Almeida is shocked at its reduced grant because its artistic reputation has never been higher. It is mainly the victim of a £700,000 reduction in the funds available to Greater London Arts, its main paymaster. What really sticks in the throats of both Jonas and Audi is that other arts groups are being more generously treated.

In theory, if GLA had spread its misery equally the Almeida should have got 10 per cent less. It has been hit more harshly for policy rather than artistic reasons: it has no black members on its board and its productions rarely appeal directly to local black Islingtonians. Its programming is much more global. But Riverside Studios, which is also white, is getting a standstill grant, and GLA is putting more of its limited resources into ethnic arts groups that directly service the black community. So why pick on the Almeida?

Yesterday Luke Rittner, secretary general of the Arts Council, asked the same question. In an unprecedented attack on the autonomy of one of its regional arts associations Rittner said that the Almeida should not suffer a cut. He argued his case on a technicality: that the theatre had been devolved to GLA only after the abolition of the GLC and for three years should be earmarked to receive reasonable funds. He raised the possibility of the Almeida becoming directly funded again. What he wants is the GLA to rethink its decision.

The ENO cannot pretend that it is being more harshly treated than the other three big national companies. But like others Jonas cannot understand what the Arts Council is doing with its extra money. In theory it has 4.2 per cent more to share around. The feeling is that too much is being siphoned off into wasteful management consultancy projects linked to the incentive funding scheme and in such peripherals as brochures for the new inner city arts initiative. A rather sparse document on this subject is rumoured to have cost £40,000, while consultants are expected to earn quite a few hundred thousand pounds from the Arts Council this year.

Anthony Blackstock, the finance director at the Council, spells out the 1988-89 expenditure plans. It is obvious that the main beneficiaries are the regions, who get the bulk of the £1.76m in extra cash, as part of the completion of the Council's long established "Glory of the Garden" project, designed to switch resources from London to the provinces.

Not that every regional company can expect more. The Liverpool Playhouse and the Liverpool Everyman learned on Thursday that they are receiving 5 per cent cuts in grant next year — because Liverpool City Council refuses to raise its contribution. The Arts Council is keeping to its tough line of not plugging the gap if a local authority avoids doing its bit. However one sector which is immune from such rules is ethnic arts, which is getting £500,000 more.

What can Jonas do about it? He has collected support from the chiefs of the three other major national companies, who will expect their influential board members to exert pressure directly on the Minister for the Arts. Jonas also thinks the time has come to switch to direct funding from the Government for the Big Four rather than let them stay in the thrall of an Arts Council which has washed its hands of them.

He also muses that while so many consultants are ferreting away among arts organisations a team should look at the Council's internal workings. With the Royal Opera House bought off by an extra £500,000 for overseas touring; with the RSC just helped generously by the City of London; and with the National Theatre losing both its director, Peter Hall, and its chairman Lord Rayne this autumn, Jonas is rather exposed in his fight for "justice." But he has built up considerable good will in his years at the ENO and might still be able to convert some of the appreciative noises made about the company by Mr Richard Luce into action.

Video

Menace and murder month

APRIL, OPINED T.S. Eliot in "The Waste Land," is the cruellest month. But he was surely out by one page of his wall calendar? What month could possibly be crueller than the one featuring the Ides of March, the Spring Budget and the annual release of all those X-rated videos that were thought too nasty to let out during the Winter hols?

Videos such as, this year, *Blue Velvet, Angel Heart, Body Double* and *White Of The Eye*. Connoisseurs of *cordon bleu* mayhem will tuck into these with delight: they all contain menace, murder and exotically varied side-dishes of sex. But be warned. One of the films, Alan Parker's Deep South voodoo shocker *Angel Heart* (Guild), is badly overcooked and will upset your stomach. Donald Cammell's *White Of The Eye* (Warners) and Brian De Palma's *Body Double* (RCA/Columbia), have lashings of style poured over small, even *nouvelle cuisine* portions of content. And the only truly worthy Blue Riband winner is *Blue Velvet*.

David *(Elephant Man)* Lynch directed this brilliantly eerie serving of terror in small-town America, which I nominated my favourite film of last year. Lynch takes familiar ingredients: the young innocent (Kyle McLachlan) caught up in a world of spooky sexual desires (masochistic nightclub singer Isabella Rossellini) and spookier violence (unhinged hoodlum Dennis Hopper). But the recipe is wholly his. The camera has a mind of its own — burrowing beneath a worm-filled lawn or peering into the noisy darkness of a severed ear — and so does the plot. It shows how, even in your average picket-fenced Mid-American paradise, nightmare horrors can lie down with spring-cleaned innocence: and at times it is not easy to tell them apart.

All four of the above titles are now bansheeing for your attention in video shops after large-screen release. But the curio of the month is *Night, Mother*, which has never seen a British cinema despite a cast consisting of Sissy Spacek and Anne Bancroft. Perhaps the subject — suicide — had something to do with it. On Christmas Eve in a cosy Southern farmhouse Miss S tells her mother, Miss B, that she is unhappy and plans to kill herself that night. Will Miss B argue her out of it or not?

That is the plot. The farmhouse is the single setting. And no other player intrudes on these two actresses as for two hours they rage, plead, quarrel, despair and generally eat up the furniture. I am not sure if it is a good film: too stagy perhaps and at times too soapy. But it is certainly riveting: a glimpse of the human soul at the final point of abdication, when suitcases are packed for the next world and the helpless relatives stand desperate and Niagara-eyed at the departure gate.

You will be relieved to know that not all is woe, doom and horror this month. Peter Greenaway's *The Belly Of An Architect* (Palace) has, it is true, a plot about an American in Rome (Brian Dennehy, superb) dying of cancer. But a script full of dancing ironies and a camera full of gleaming images make this the richest movie-poem yet from the director of *The Draughtsman's Contract*.

It is also a month for acerbic films about the sex war. Queue up, if you have a mind, for Nicolas Roeg's *Bad Timing* (Video Collection), an essay in awayday Freudiana where Art Garfunkel and Theresa Russell battle it out in Vienna and Morocco: for Clint Eastwood's stirring 1970 thriller *Play Misty For Me* (CIC), starring the future Mayor of Carmel in a prototype *Fatal Attraction* plot: and David Cronenberg's *The Fly*, in which boy meets girl and comes to an extremely sticky end. State-of-the-art sci-fly with superb special effects.

For those wishing to return to pre-state-of-the-art cinema, those halcyon days when people's intestines did not keep flying out at the audience and when special effects were an invitation to giggle as much as gasp, the good news is the return of the old-style double feature.

Video Collection are dispensing the following golden oldies in pairs: *High Noon* and *The Americano, She Wore A Yellow Ribbon* and *The First Rebel, Flying Down To Rio* and *The Gay Divorcee* and — best of all — two classic Hitchcocks, *Notorious* and *Spellbound*. Tremble for Ingmar Bergman as she is first betrayed into the hands of Nazis by Cary Grant and then harassed by amnesiac murderer-on-the-run Gregory Peck. Assemble the popcorn, put out the cat, stretch forth your feet and enjoy.

Nigel Andrews

Radio

Buzz on benefits

RADIO 1 has a good record for helping its myriad listeners to deal with some of their current problems. This week it presents *Who Benefits?*, where the difficulties of the mainly young, mainly unsophisticated, citizens who will win or lose when the new rates of benefit begin next month are considered. As before, with such matters as drugs, the steady flow of popmusic and chat is interrupted by unanticipated little buzzes of information or propaganda, with a short sample query. There is a "helpline" that can be called, at the cost of a local call, by those who want more advice.

I kept Radio 1 on for all of Monday morning, listening to Simon Bates's enjoyable visit to Cairo with Andrea, who had the good fortune to be born on a February 29, and to the variations in the Top 30, 40, 50 or whatever — sometimes even to the music — but it seemed to me that *Who Benefits?* did not come up very often. Perhaps it was always there at the moment when I answered the telephone or the doorbell. I would have liked it to be inescapable. Steve Wright presented it rather like a game show, not a bad idea.

The BBC has evidently taken against the Army. Last week's Monday play on Radio 4, *Excess Baggage* by Ken Blakeson, dealt with life in married quarters. The wives, despite the fortune of a three-bedroom house at £24 a week, feel neglected and short of housekeeping money, even when their men are still in barracks. When the troops are out on training it gets worse. One wife's experiment of working in a local pub comes to grief when her husband suspects that she has earned the money she hands him less respectably. The wife of an officer newly-commissioned from RQMS in the same battalion falls out with the other officers' wives. Both the husbands involved decide that being married in barracks is not for them. Samantha Bond and Barbara Marten were fine as the wives, the men were actors bravely trying to sound like soldiers.

Then last Tuesday Radio 3 gave us a really uncharming play by Peter Cox, *Tickertape and V-Signs*. This deals with the relationship of a young soldier, Stanley (Brian Bovell), with his mother Velma, a nurse (Carmen Munroe). Stanley is black, and on the troopship returning from the Falklands he shares a cabin with three other soldiers, one of them a particular hater of (as he says) niggers. Much of the dialogue, some of it poetic in quality and admirably spoken, consists of quick exchanges of soliloquy by Stanley and Velma, but when the ship puts into dock the relationship becomes practical. Velma, with the other wives, mothers and sweethearts, stands longing for a wave from her hero son. But Stanley is not going to wave to a black woman when he is among comrades who make jokes like, "Don't fall overboard, they might think it was an oil slick."

Stanley's dialogue, which carries him into an anti-disciplinarian dream, is partly sung as "rap." (What route did this ship take from the Falklands to hear an African say "bwana"? — round the Cape?) Ned Chaillet was the director.

So a soldier's life is misery either in action or in barracks. I shall be told that these plays deal with exceptional cases, and only the exceptional cases make drama. Stanley's mates might have gone ashore, on leave, back to barracks, perhaps even to married quarters, without a complaint, but this would not be so interesting, would it. But at least I think the anti-Army plays might be kept a little more separate.

Constantine is back in *Whose is the Kingdom?* (Radio 3, Friday), and has even gone so far as to call a council to harmonise Roman and Christian law. "Where shall we have it? I know! Nicaea!" The ordinariness of the Ardens' characters is beginning to tell. "I haf parchment from Kaiser Constantius," says German Wolfgang, whose land has been occupied by ex-servicemen from the Gallic wars. A decent German, he agrees with Constantine's judgment that the men should be hanged, not burnt, so that they may face the Resurrection in good shape. Fewer reports on this series until the Conference of Nicaea, I think.

B.A. Young

Chess No. 713:

1 R-Q6, K-B1; 2 K-R7, K-B2; 3 R(R6)-B6 mate.

DIVERSIONS

Gardening

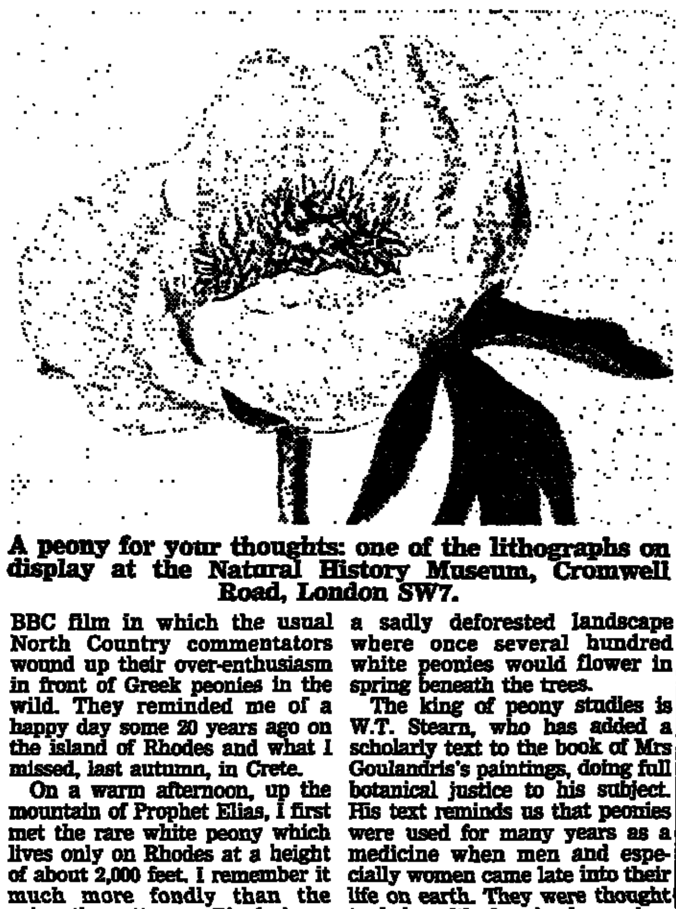
A paean for a peony

IN THIS uncertain weather, I am thankful that I am not a wild peony. The poor things hate spring frosts and chilly winds, which is one reason why the best place to see them before April 17 is indoors in London. The ground floor of the Natural History Museum in the Cromwell Road, SW7, is showing a well-mounted exhibition of one group of wild peonies, the Greek ones, and displaying some of the lore which has surrounded their family during the past 2,000 years.

If you have a romantic turn of mind, I recommend it. The centrepiece is a set of twelve peony paintings and their lithographs by the Athenian artist, Niki Goulandris. She has a sensitive eye for the peony's exquisite leaf and her paintings remind me to enjoy the reddish-pink shading which runs, like a deep blush, up many wild peonies' stems. She is also a founder of the Goulandris Natural History Museum at Kifissia, just north of Athens, a surprisingly elegant building which is celebrating its 25th birthday and continuing to take on the Herculean task of defending the beauties of the Greek flora.

These wild species of peony have big cup-shaped flowers, and a lovely central boss of gold stamens. Gardeners may admire their beauty, but their natural fans are beetles, who greatly relish their taste. Like magnolias, peonies are extremely old plants, dating back to the pre-glacial days, when beetles were popular pollinators and many flowers were shaped to suit their convenience. Beetles love fluffy stamens; they can flop conveniently into the peony's cup-shaped flower and move from its landing-pad to munch happily through the central boss of stamens, pollinating the flowers on the journey from one to another. It must be a pleasant life in warm weather. Afterwards, peonies produce dark shining seeds which are not obviously mobile and which have slowed and restricted its distribution for hundreds of thousands of years.

The distribution of these ancient beauties is, nonetheless, remarkable. There are some wonderful peonies in China, others on a Mediterranean belt through France into the Northern Balkans, a few in the mountains of the Caucasus, and this special group at present on show which is dotted from Sicily to Greece or marooned on particular Greek islands. When I saw the exhibition, it was showing a charming BBC film in which the usual North Country commentators wound up their over-enthusiasm in front of Greek peonies in the wild. They reminded me of a happy day some 20 years ago on the island of Rhodes and what I missed, last autumn, in Crete.



A peony for your thoughts: one of the lithographs on display at the Natural History Museum, Cromwell Road, London SW7.

On a warm afternoon, up the mountain of Prophet Elias, I first met the rare white peony which lives only on Rhodes at a height of about 2,000 feet. I remember it much more fondly than the ruins, the pottery or Rhodes' castle and the marble flooring which Mussolini had given it as a souvenir of Fascist rule. However, these rivals divert the tourists, leaving white Paeonia rhodia to live in peace. It is single-flowered, beautifully leaved, and known nowhere else in the world.

Its nearest twin lives in the White Mountains on Crete, where the BBC filmed it beautifully. It, too, is white and single, perhaps even lovelier to look at, and it makes you feel humbled to see a plant which has survived since the time before the Ice Age, long before anyone thought of building palaces, leaping on bulls, or telling tales about the labyrinths of Cretan kings.

The white peony of Crete was mentioned by a traveller in the 1590s, but it was only brought to botanists' notice in the 19th Century; its white relation on Rhodes was only discovered to science in the 1930s. Not until the 1970s was the most recent find of another type of white peony reported from the rocky island of Andros, a sadly deforested landscape where once several hundred white peonies would flower in spring beneath the trees.

The king of peony studies is W.T. Stearn, who has added a scholarly text to the book of Mrs Goulandris's paintings, doing full botanical justice to his subject. His text reminds us that peonies were used for many years as a medicine when men and especially women came late into their life on earth. They were thought to help with female depression, one reason why they ought to be popular in English country gardens during the dark months. In the Roman army, peony juice was even used as an anaesthetic.

According to the ancients, the plant's best friend was not the beetle but the woodpecker. If you wished to dig up a peony, you had to do it at night, when no woodpecker was watching; otherwise, the birds would fly at your face and peck your eyes out.

Prof Stearn suggests that the story was put about by herbalists to stop the plants from being uprooted and stolen. I think he is being too subtle. Writers on plants have always had a soft spot for unprovable long-shots - as you all well know. But I hope that on Crete, Rhodes and Andros on the slopes near Parnassus's dark peony and wherever the cherry-red Peregrine Peony grows wild, woodpeckers will continue their neighbourhood watch, well into the years of the next Ice Age.

Robin Lane-Fox

Grand tour of the tors

Richard Gilbert steps out and crosses beautiful Bodmin Moor, one of the lesser-known of Cornwall's wild and scenic splendours

FEW holidaymakers spare a thought for Bodmin Moor as they speed west through Cornwall on the A30, bound for the beaches and coves of England's most rugged coastline. After all, a glimpse of mist-covered moorlands can hardly compete with creamy surf breaking on silver strands, particularly after a long drive.

Yet for those of us who love the quiet, wild corners of England, a day among the lonely granite tors of Bodmin Moor can be just the refuge we need from the bustle of the popular resorts. This was not always the case; exploration of Bodmin Moor reveals countless relics showing it was inhabited extensively by Stone Age man, the Beaker people, Bronze and Iron Age dwellers. The high moor was then much more hospitable than the dense undergrowth of the lowlands and settlements and easier to defend.

The Romans never succeeded in subduing the Cornish Celts and the moor has many associations with King Arthur, legendary tribal chieftain of the Dark Ages. Some scholars believe the present town of Camelford was King Arthur's Camelot and that the waters of Dozmary Pool were the ones that closed over the sword Excalibur.

In Medieval times small chapels were built on selected sites on the moor, while an expansion of trade stimulated the tinners, who were given their own charter by King John in 1201. But it was the discovery of copper in 1837 that changed the character of the moor significantly; railways, chimneys and engine houses were built and shanty towns sprang up. Well before the end of the century, however, cheap imported copper caused the collapse of the industry; and although an expansion of china clay mining filled the vacuum partially, most developments were further west than Bodmin.

Today, Bodmin Moor is a wide tract of high open country with extensive outcropping of the underlying granite. Few fences restrict the grazing of sheep and ponies but remains of the traditional Cornish enclosures, built of granite boulders and turf and now covered with blackberry and honeysuckle, abound on the lower ground. Here ancient trackways, tumuli, hut circles, tombs and standing stones are sprinkled liberally throughout the moor, adding to its enchantment.

Bodmin Moor lends itself to all manner of excursions. You can make inroads into its heart from the many villages on the edge, or can branch out from the middle via the A30 which bisects it. But if you want a 16-mile leg-stretcher over the highest tors, then I recommend a north-south crossing from Camelford to Minions. I found delight in every step of this walk. Not only is it packed with interest but, being in the mild south-west, its atmosphere is subtly different from my usual stamping ground in the northern Pennines. It is possible to return to Camelford by public transport but, if you can arrange for a car to meet you at Minions, you will save much trouble.

From Camelford a narrow, tree-lined lane runs towards Rough Tor, stopping under its north-facing slopes at a small brook. Just off the path, on the right, a stone monument marks the spot where Charlotte Dymond was murdered by her crippled lover, Mathew Weeks, in 1844. Both are immortalised by Charles Causley's ballad on the tragedy. Beyond, spoil heaps from the Stannon china clay works rise huge and startlingly white.

Rough Tor is a group of three massive granite outcrops, each eroded to give rounded, plate-like formations. The crystals of Cornish granite are large and this gives the boulders a wonderfully coarse texture. A plaque on the highest summit records that Rough Tor was given to the nation to commemorate those from the 43rd Wessex Division who died in the war. The summit also contains the foundations of a Medieval chapel dedicated to St Michael. Rough Tor is now owned by the National Trust.

Brown Willy, 1377ft (420m), is the highest point on the moor and rises only a mile away across a shallow valley. It is a long, wedge-shaped hill but its granite tors are less pronounced than those on Rough Tor and it has a less attractive summit. However, the surrounding marshes and barren moorland is very wild.

Descend Brown Willy on the east side and cross the plain; ford the infant river Fowey, beside which there are some old spoil heaps; and ascend Leskernick Hill, strewn with granite boulders and several stone circles and standing stones. Continue over Hendra Downs where a huge, rounded boulder has earned the nickname of the Elephant Rock, and descend to the A30 near Webbs Down. A mile up the road you can see the buildings at Jamaica Inn, made famous by Daphne du Maurier's novel.

A good track leads round the north side of Halvana plantation and then an easy ascent lands you among the rocks of Fox Tor. The view south from here is one of the finest on the moor. In the distance, the turreted outlines of Trewortha Tor and Kilmar Tor emphasise the wild nature of the surroundings. Closer, two tumuli and a circle of nine standing stones emerge from the heather.

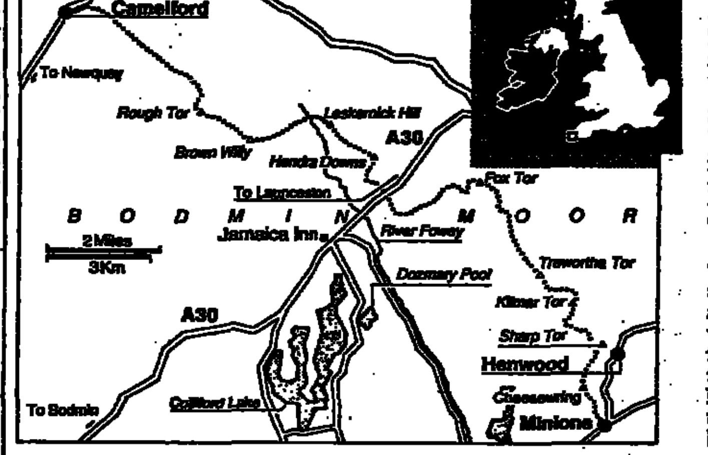
Cross the road that leads to Tressellern farm and walk through the grounds of the waterworks. Ahead rises the long escarpment of Trewortha Tor and the slopes are extremely rough. The effort is worthwhile, though, for the tor is spectacular. Its weird and wonderful granite structures include, on the westernmost block, a deep, smooth, cradle-like depression, with an additional head-shaped hollow at one end, known as King Arthur's Bed.

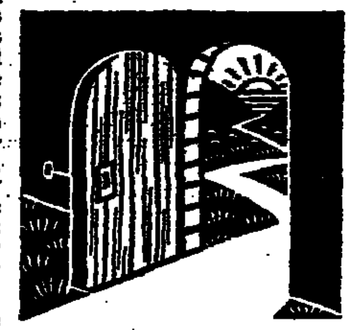
The next high point is Kilmar Tor on Twelve Men's Moor, so named because in the 13th century a dozen men negotiated grazing rights there. South of Kilmar Tor, a low embankment runs east-west across the moor. This is an old railway, built in the 1840s to transport copper ore, and the granite sleepers can still be seen.

Sharp Tor is a prominent cluster of rocks above the village of Henwood and is an excellent view-point for eastern Cornwall. Take the path that bypasses Sharptor village and climb steeply to Stowe's Hill. The arrangement of boulders on the summit has been identified as an Iron Age hill fort; but the most spectacular feature is an extraordinary pile of disc-like stones, balanced precariously on the edge of a quarry on the south side, called the Cheesewring. The name derives from a cider press, the apple pulp being called cheese. The top stone is said to rotate three times when it hears the cock crow.

A broad track now leads to the old mining village of Minions; Bodmin Moor has been crossed and you are left with lasting memories of this romantic, beautiful and long-forgotten corner of England.

Walkers' reward: a view of Brown Willy





Secret Places

Arthur Hellyer warns of possible seasonal pitfalls

Climate of caution

IT IS seldom necessary to stick slavishly to any calendar of garden work, but it is almost always unwise to get far ahead of the usual routine for the area in which one lives. Spring can be treacherous, and in many parts of Britain frosts can be expected until the end of May, no matter how forward the season may have appeared in February or March.

I would not bring any routine sowing or planting ahead of schedule simply because at the moment growth is exceptionally advanced. This year in Sussex – and no doubt over much of the rest of the country – rain has deterred any thought of sowing outdoors and even tree and shrub planting has been hampered by waterlogged soil, though I have found the occasional few days when I could begin to fill some of the gaps left by the October hurricane. Generous quantities of mushroom compost, peat or leaf mould were required to mix with the soil as it was returned around the roots. All the things I planted were quite hardy and unlikely to cause any problems.

By now of course, seed sowing under glass or in airing cupboards, on window ledges or in whatever other improvised places one uses for this purpose is well under way, though always there should be careful calculation as to how the seedlings will be taken through that critical weaning period which is essential to prepare them for the open ground, if that is their destination. Given adequate acclimatisation it should be safe to plant out all seedlings of hardy plants by mid-May, but in all but the mildest parts of the country late May to early June is the period to aim for with all the half-hardies, whether annual or perennial.

Several recent letters have reminded me how numerous and invaluable are the various non-commercial sources for seeds. One, from the Alpine Garden Society, tells me that its 1988 seed list offers 4,877 separate items, which the society claims makes it the most comprehensive seed list of its kind and gives its members the opportunity to grow many desirable plants not available from any other source.

In association with the Royal Botanic Gardens, Kew, the Alpine Garden Society is also organising a seed collecting expedition to northern Japan in September. This must surely be about the costliest method of acquiring seeds but also the most exciting, with rewards for those in search of exclusivity which can hardly be exaggerated. The Alpine Garden Society address is Lye End Link, St John's, Woking, Surrey GU21 1SW.

Another letter reminds me that the Northern Horticultural Society also offers its members seeds of a great many plants not available from commercial sources. All are collected in the society's own extensive garden and flower grounds at Harlow Car, Harrogate, and this year the selection includes the beautiful Harlow Car Hybrid primulas raised there, which grow in spectacular drifts in moist ground beside the stream.

There is also a Harlow Car strain of the Himalayan blue poppy, Meconopsis Betonicifolia, and a recently introduced Asiatic rowan which has not yet been positively identified and so is being distributed under the collectors' number YU4299. Wild flowers are included in the Harlow Car seed list and also some scarce vegetables, including an old Elizabethan drying pea named Carlin and some tough quality varieties raised in the early years of this century which have been pushed out of the commercial lists because they are too tall or not sufficiently heavy cropping.

Then there is the Royal Horticultural Society, also with a very long list of seeds collected in its own garden at Wisley, and, if one looks further afield, other sources in other countries and continents for those in search of something out of the ordinary. For many years I subscribed to The Botanical Society of South Africa, based in the great National Botanic Gardens at Kirstenbosch, Cape Province, for the sole purpose of sharing in the distribution of seed made available by these gardens. I discontinued membership because of lack of time to grow so many unfamiliar plants.

Reborn in flames

THE CHIEF arsonist died several years ago. He had been, as people here say of the simple-minded, "not quite 16 ounces to the pound" ever since a horse smashed his forehead like an egg. He wore a greening bowler pulled down to his pinprick eyes and pedalled a skeletal sort of bicycle sedately up the Red Road onto the Bryn. In autumn he picked mushrooms – the mushroom man I called him then, never knowing his name – and in spring he set the hill alight.

The fires did not die with him; instead, they became the province of village children. Although it is farmers and others with commoners' grazing rights who are entitled to burn grassland, they hardly need to bother. Half-term holiday, plus a dry spell to crisp up the sodden, henna-coloured bracken, will always be an irresistible temptation to the match-happy. February is a busy month for our volunteer fire brigade.

At night, the Bryn looks like a volcanic ridge. The fires spread into rings, glowing craters in the dark, and flames diverted by sheep paths form tunnels down the slope. When the fire is hidden behind the hill, the night skyline is a halo of pulsating orange light. In the morning, before the ground is cold, the crows come down to feed on cooked snails.

Spring fires move swiftly, scorching off the old year's plant litter to encourage fresh growth for the grazing stock. Within days new shoots puncture the cinders, attracting moor ponies and sooty-fleeced sheep and distracting them from their forays into village gardens. The hill and all the commons are unfenced, so animals roam where they choose; a sign on the churchyard wall reads: "Please latch and chain this gate to protect the flowers from the sheep."

The blackness of the land is short-lived. By Easter, croquet hoops of bracken stems will be emerging to colour-up the last of the charred acres. The mushroom man always became preoccupied when the ferns reached waist-high. He had the talent of an adder. You might see him lying in the grass for many minutes; you would glance away for a split second and, when you looked back, he would have vanished, silently. He used to crawl unseen on his stomach through the bracken to watch lovers in their closed cars.

He was untroubled by the concerns of the conservation-minded, such as whether fires are beneficial to a moorland habitat. Subsequent leaching yields potash, but severe fires destroy the humus. Gorse regenerates easily, and the summer's bracken is still underground and therefore escapes damage; but mature heather, once burned deeply, can take several seasons to recover and late fires singe the growing tips of spotted orchids.

March 31 is the last date for legal burning and, generally, it is obeyed. This means that the fires should not catch birds nesting; on the other hand, much of the ground cover that would accommodate them is lost.

These should be my primary concerns. Occasionally, though, baser instincts can deflect even an environmentalist. Perhaps it is the primitive excitement of seeing the land ablaze; perhaps it is the symbolic destruction of the old to make way for the new.

Whatever the reasons, I find myself winding open the car window as I drive up the Red Road, to sniff the burning Bryn. Forget traditional harbingers of spring: primroses are fickle and can bloom as early as October. Nothing signifies winter's end quite so definitely as the pungent smell of gorse smoke.

The mushroom man knew it. Spring starts here.

Julia Berney

Motoring

Japan grabs a starring role

THE GENEVA Motor Show, which opened on Thursday, is rather special. First, it is the only major event of its kind still held annually. Second, the Swiss market is unique in being wide open to all the world's car-makers and also exceptionally rich. How rich? Well, where else would you see Cadillacs and Mercedes 500 saloons lined up in cab ranks?

It is, however, a small market. The Swiss bought only 300,000 cars last year, or less than one-sixth of Britain's total. The Germans took the largest share with 127,184 registrations. Japan was next with 87,430, followed by France (41,665) and Italy (30,149).

Britain was near the bottom, with only 2,990, but that was 7 per cent more than the year before, and Jaguar did particularly well, increasing its registrations by 57 per cent.

However, once again, it was the Japanese whose volume-produced cars were the main attention-getters at the show – more of which later.

BMW majors on its new 5 series, launched last month and in great demand before its arrival in the showrooms. In Britain, which it reaches in June, the Cooper Group of five BMW dealerships has already taken more than 250 orders from people who have never seen the car.

Making its show debut is the Tipo, Fiat's Ford Escort and VW Golf challenger, named by its maker as the most significant car of 1988. Ford's pride and joy, the 150 mph (240 kmh) Sierra RS Cosworth, is missing from Geneva. It lacks a catalytic converter to reduce exhaust emissions, which makes it unsaleable in Switzerland. The attention-getter on the stand is yet another Ghia concept car, this time a 4x4 recreational vehicle. Having made publicity waves it will, if true to form, never be heard of again.

On the eve of the show, Jaguar announced that its XJS 3.6 and V12 coupes were now equipped as standard with ABS brakes like those fitted to the XJ6 saloons.

Land Rover, whose Range Rover has always been popular among affluent Swiss 4x4 buyers, has moved even further up market. Its new Vogue SE flagship has air conditioning, automatic transmission, tilt and slide sunroof and six-speaker stereo. The seats are leather trimmed, and the front ones have power adjustment. In Britain its price will be £27,349. What can Land Rover do next to this 18-year-old design? Gold plate the door handles, perhaps?

Visitors who expected to see the new Mercedes Benz SL sports cars – originally meant to be unveiled at Frankfurt last September – at Geneva were disappointed. Nor is the hatchback version of the Rover 800 on display, though its launch is not many weeks off.

Renault has stolen a march over its European rivals with the first modestly-priced estate car to have selectable four-wheel drive and a choice of petrol or diesel engines. The fuel injected Nevada's two-litre GTX 4x4 and diesel 2.1 litre GTD 4x4 go on sale in France in May. By that time the new car will already have reached Austria and Switzerland, for which there is a catalytic converter equipped 2.1 litre version. At present, Renault has set no date for its introduction to the UK, where the Nevada is known as the Savanna. It would be ideal for any country motorist demanding an estate with diesel economy plus four wheel traction for tackling snow and mud.

However, it will not be unique for long. Peugeot has plans for a selectable four wheel drive version of its forthcoming 405 diesel estate.

The Nevada's transmission is much simpler than the permanent all wheel drive of the Renault Espace Quadra. Normally, it operates in front wheel drive. The power is put through to the rear wheels by touching a switch when the going gets slippery. If still more traction is needed, the Nevada's rear differential may be locked.

Saab was rather upstaged last month when the media launch of its handsome saloon version of the 9000, previously made only as a hatchback, clashed with the debut of the BMW 5 Series. The 9000 CD saloon reaches Britain in April, powered by a 16 valve, turbocharged two litre, four cylinder engine and crammed with executive type goodies. Interestingly, Saab admits that the lack of a saloon version of its big luxury car did nothing to boost sales.

Ford, too, acknowledges that having the hatchback only Granada (Scorpio in Europe) has been no help in the executive market and that a booted saloon is in prospect. Why, then, is Rover soon to introduce a five door 800? Might not a luxury Rover 800 estate car (like Mercedes or Volvo, neither of which has ever made a hatchback) be a better bet?

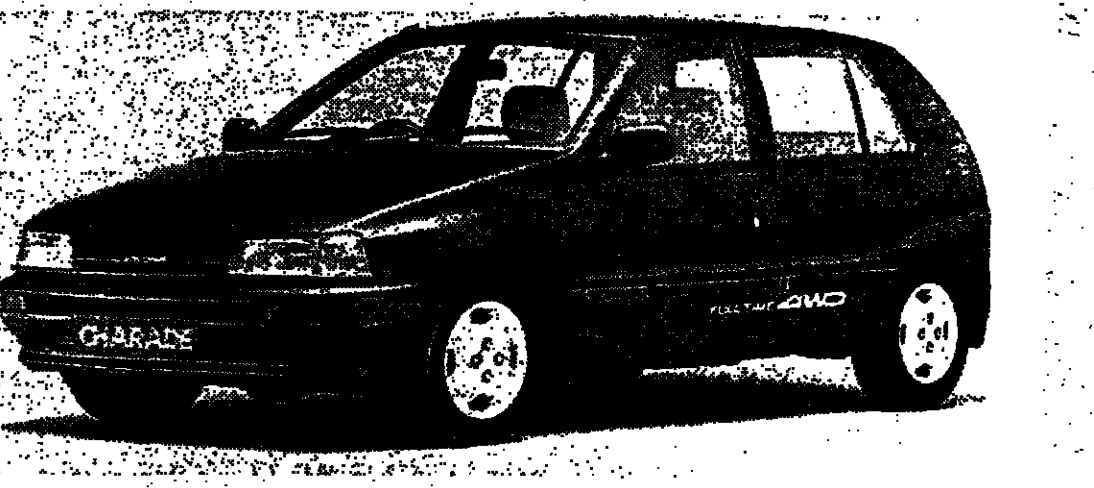
The ever ingenious Japanese pulled a high performing baby four wheel drive out of the hat. The Daihatsu 1.3 4WD Charade supermini has a full time system, which must make it exceptionally nimble on wet and winding roads. Unlike other Charades, it has a four cylinder, 16 valve engine which runs exclusively on unleaded petrol. Sadly, there are no plans at present to bring the 4WD Charade to Britain.

Toyota, too, used the Geneva Show to introduce an attractive new Carina, which will shortly be on sale in Britain – more of this in a week or two when I have driven it.

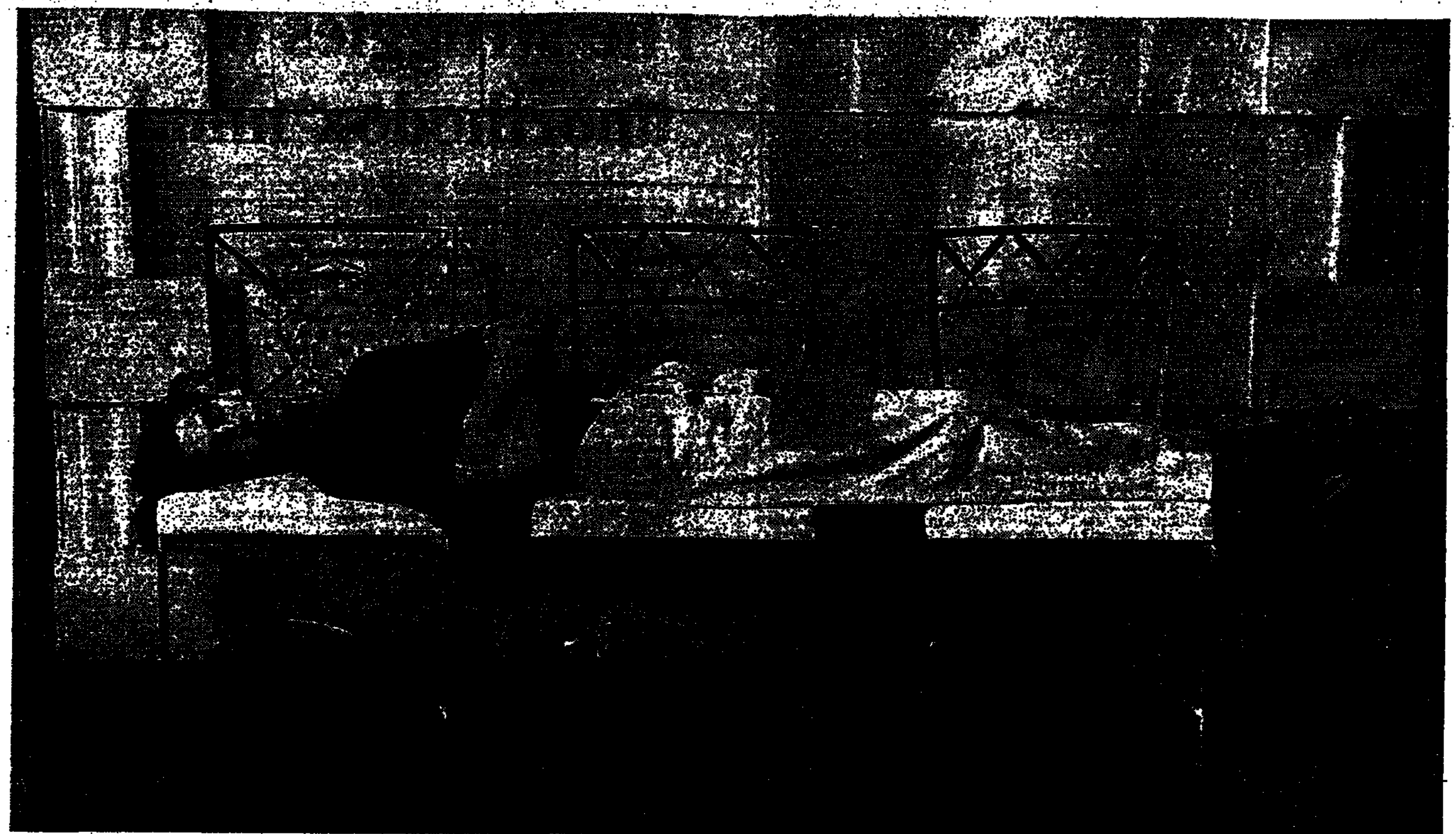
Perhaps the most significant new car being seen for the first time at Geneva is the Volkswagen Passat, a long overdue replacement for the 15 year old original Passat. Ford must be quietly amused by the styling of the new model. It is so like that of the Sierra I can see recognition problems arising, especially with the estate car.

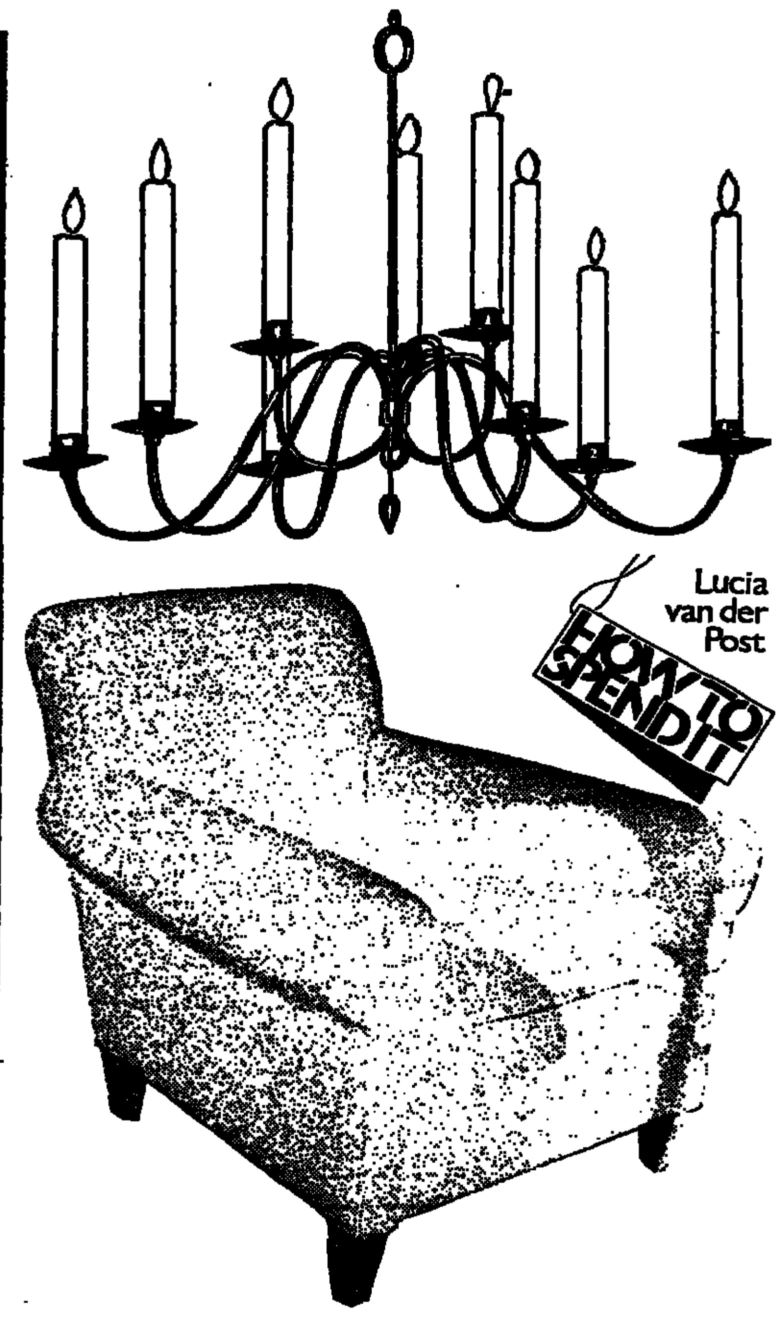
● The Geneva Show, at the Palexpo hall, which is by the airport and only 10 minutes from the city centre, is open until tomorrow week, March 13.

Stuart Marshall



Daihatsu Charade 4WD with a 1.3 litre, four-cylinder engine and full-time four-wheel drive





Now for un-designer chic

"ABOVE ALL," says David Davies of the new range of furniture, furnishings, clothing and accessories that he launches next Friday, "this is an anti-design look. I'm tired of matt black chic, of black leather sofas, of furniture whose prime funcition is to convey prestige. I have to have these things at work because it's an essential part of the working environment but when I get home I want something much more lyrical, more comfortable, that just looks as if it has always been there."

David Davies, for those of you not up-to-date with the nuances of the design consultancy world, is currently one of its hot names. Probably he is most famous for being one of the designers responsible for the look of the Next shops and for heading the design consultancy (DDA) most art school graduates most want to join.

Next Friday he opens his own shop at 10 Great Newport Street, London WC2, primarily because "when it came to furnishing my own home there were lots of things I wanted that I couldn't find and also because we endlessly design shops for other people and I found it frustrating to have to leave projects just as they came on stream. I also really felt we could produce things that weren't around that people might like to have.

"Often, paging through a magazine like Interiors you see things - a weird sofa, a wall sconce, a chandelier, an old product of some sort that you can no longer find - well I wanted to make things with that kind of personality about them, things people really longed to have.

"I didn't just want to sell more leather and chrome and Eileen Gray reproductions. I wanted a look that was not overly decorated nor overly pretty but that had real comfort to it. I'm a passionate believer that the British Isles is a rich and beautiful place to live and I wanted to draw on its lyrical traditional past.

"This undesigned look that I'm aiming at is a reaction to the machine-made early 20th century furniture which has become a designer cliche - we're not selling anything with a hint of Corbusier or Breuer about it. Everything is based on a concept which blends machine technology with very ancient craft-based skills. So there is quite a lot of wrought-iron (I found this marvellous man in Northumberland who is making it all for us), some fine timber furniture and really comfortable upholstery with feather-filled cushions.

"I started with a strong image in my mind. I had this picture of a wonderful armchair that I had once seen in a hotel in Florence. It looked exactly like the kind of armchair that you dream of picking up in a country auction, that you recover in something simple and then it looks as if it has been there forever. The thing is though you can never find one. I wanted to make that sort of armchair available to all the people like me who dreamed about it.

"Then there's a classic daybed and a simple but utterly comfortable upholstered sofa with feather-filled cushions, the way all cushions used to be. There's also a wrought-iron sofa, inspired by classic wrought-iron garden furniture which always looks wonderful but is usually very uncomfortable - I've tried to combine the decorative quality of the wrought-iron with comfort. It can, like the wrought-iron chairs, be used inside the house or out."

As you can see David Davies is a great believer in the classic English understated style. He also believes ardently that our climate has shaped us in profound ways - the temperateness of our climate, he thinks, underpins our whole culture. The shop will celebrate our climate with a changing look to match every season (he has actually registered the word "Climate" for his clothing ranges) - come the winter there will be loose covers in rich damasks to throw over the creamy cotton rep which currently covers the chairs and sofas, tartan wool throws to add warmth and texture. Come the summer there will be heavenly creamy crunchy cotton knit sweaters, linen suits for men, sunglasses, striped towels, traditional sturdy suitcases for the travelling set.

One of the things that I personally find deeply pleasing about the whole collection is that is based on a real awareness and truthfulness about the British way of life. Not the phony touristy Britain of beefeaters and thatched cottages but the realities - what David Davies calls "weathered timber bleached by the wind and washed with colour by the sun, lichen on stone and patinated metal, a slate green storm sky . . . the rich colours in a faded tapestry."

Nothing here panders to cheap fantasies. No sofas based on phony Hollywood glamour, no garden furniture pandering to the "let's pretend we're sitting in the South of France" brigade, no pretentious copying of Mediterranean or Oriental or Mexican styles. Almost everything is quietly, simply - English. This may make it sound jingoistic or chauvinistic but I can only assure you that it isn't.

Quite why it is that he has unashamedly drawn on a vast traditional visual heritage and (to my mind) made it work while others who attempt the same thing seem to miss the boat is difficult to fathom. I think it has to do with truthfulness, with integrity of purpose, with doing it faithfully and with tapping into an authentic culturaltradition, not a debased suburban version of it. And, of course, there is always that magic ingredient called flair.

The shop is to be called simply Davies and if you think it worth a visit, look particularly at the upholstery (frames are all made from hardwood which is screwed, glued and dowelled. cushions are feather-filled, loose covers in creamy cotton rep, crisply striped cottons or painted flowers for summer, rich damask for winter), the hand-forged cast-iron (a particularly wonderful chandelier and lots of wall sconces and tall, free-standing candlesticks) and the sturdy cherrywood dining table, chairs and console table (very restrained and simple this!).

Prices are neither cheap nor out of reach. Sofas are £895 (without cover), the armchair is £450 (without cover). The chandelier is £160, wrought-iron candlesticks, £49.02 and burnished steel bowls £30.

There will be a collection of menswears clothing and lots of small artefacts for the house - crackle glaze ceramic vases, splendid, almost medieval, steel and verdigris dishes to use as fruit bowls or, on a summer evening, to float candles in. The handwriting behind it all is consistent, coherent and if you like some of it, you'll probably like it all. If it is successful then this could be just the first of many. Watch out Habitat, Next, Laura Ashley et al!

Top left, three chairs made by a blacksmith in Northumberland from hand-forged wrought-iron. Based on traditional cast-iron garden furniture, David Davies has tried to retain the characteristic decorative qualities and make them comfortable too with cream-covered soft squab cushions. Laurel leaf design, £280, crossed-feather design, £255. Top, wrought-iron chandelier from the same blacksmith. £160. It has an almost medieval simplicity and there are single candlesticks and wall-sconces (with a verdigris paint finish as an option) in a similar mood. Above, the armchair that "looks as if it has been around forever". Simple in shape, here covered in creamy cotton, it is £551.58 complete, and £450 uncovered.

Cookery

Dig out a few consoling perennials

Philippa Davenport tests new ways with vegetables

LAST WEEK I heard my neighbour's lawn mower splutter into life – and die soon afterwards. My gardening efforts at this time of year tend to be cerebral. At night in an armchair by the fireside I plan the planting of salad vegetables I haven't grown before: the magnificent little potato called La Ratte, which Marshall's is introducing from France this year, corn salad, American or land cress, and perhaps the flower petal salad collection which Thompson and Morgan has just launched - a mixture of nasturtiums, pot marigolds, lemon mint, borage and something called Angel Rose.

Back in the working reality of the kitchen it is winter vegetables, not summer foods, that I am cooking . . .

OEUFS SOUBISE

This is one of those consoling perennials to which I return with pleasure time and time again. It is soothing for Sunday supper, yet elegant enough to serve at a luncheon.

Hard boil some eggs, cooking them just long enough for the yolks to harden. Shell and quarter them. Lay them in a warmed dish and cloak them quickly with a hot and creamy onion sauce.

Scatter with flaked and toasted almonds and a little parsley, or better still, with fresh chopped coriander leaves.

Surround with triangles of fried bread and serve straight away.

To make the sauce, sweat half a pound of very thinly sliced onion in three ounces of butter. Stir in a heaped tablespoon of flour and half a pint of creamy milk that has been infused with a bay leaf. Add salt, pepper and a pinch of allspice and simmer gently for 15 minutes. Discard the bay leaf and process to a puree, then adjust seasoning and thin the sauce with more milk to taste.

COMPOTE of RED CABBAGE

Spicy red cabbage brings comfort on frosty nights and one of the joys of this dish is that, most unusually for a red cabbage recipe, it takes no more than 15 minutes to cook.

Heat a wok or a non-stick frying pan measuring 12 inches or more across. Add a little unsalted butter and saute two dessert apples that have been peeled, cored and sliced into crescents. Keep them hot while you cook one pound or so of finely shredded red cabbage. Stir-fry the cabbage briefly in a little more butter. Then reduce heat to very low, cover and steam-fry for about eight minutes, just stirring occasionally.

Return the apple to the pan. Season with salt, pepper and some toasted and crushed caraway seeds, and mix well.

MUSTARD-GLAZED CARROT

Carrots are blessedly inexpensive. They tend to appear on our menus frequently at this time of year and it is easy to fall into the habit of cooking them in the same old routine ways. Here is a good, slightly-out-of-the-ordinary way to serve them, inspired by a salad of Madhur Jaffrey's.

Black mustard seeds can be bought at oriental stores, some delicatessens and health food shops. Their nutty character goes well with the natural sweetness of carrots.

Simmer sliced carrots and a little finely chopped onion with a smidgen each of soft brown sugar and sunflower oil in water to cover.. When nearly tender, remove the lid and drive off the moisture.

Film a small frying pan with oil. Heat it, add a heaped tablespoon of black mustard seeds per pound of vegetables and wait a few seconds until the seeds begin to pop. Then quickly tip the contents of the pan onto the cooked carrots, add salt and pepper and toss to mix.

CRUDITES A MA FACON

Finally, here is an easy and healthy light lunch dish for days when the sun is shining and you feel convinced that spring has sprung. It also makes an attractive choice for a first course for a Sunday lunch party. Serve warm wholemeal rolls or pitta bread with it.

Coarsely grate four or five different vegetables into separate bowls. Those that discolour when exposed to the air should be moistened quickly with a little vinaigrette dressing.

All the vegetables should be raw and you will need approximately the same grated weight of each, say half a pound. Celeriac, Jerusalem artichokes and parsnips are all delicious; courgette, beetroot and carrots are colourful as well as good tasting.

Next, grate a double quantity of juicy dessert apple: core the fruit but leave the skin on for colour.

Mix together in one bowl a small teacupful of fresh chopped chives, about half as much chopped parsley and a smattering of chopped sorrel or fennel, if available.

Finally, if the dish is to be served as a lunch dish, chop three hard boiled eggs and season them well.

To assemble for serving, arrange the ingredients in colourful mounds around the edge of a large platter, like blobs of paints on an artist's palette, and stand a big bowl of sauce in the centre. Aioli, hummus and a very mild guacamole are all good.

Food for Thought

Take 3lbs 6oz of hints

THERE can be no doubt that Raymond Blanc's heart is in the right place. "I often wonder," he writes in part of his introduction to *Recipes from Le Manoir aux Quat'Saisons* devoted to how to give a successful dinner party, "to what extent the quality of meals affects the decisions of world leaders. Might a terrible dinner lead to war and a wonderful meal bring peace, no less?"

I have often wondered the same thing. It seems to me to transgress more than just good manners to threaten to bomb back into the Stone Age someone to whom you have just passed the salt. However, as M.Blanc goes on, "Short of saving the world, let us aspire merely to saving face."

Fair enough, but it prompts the question whether or not books like M. Blanc's will help save our faces or merely leave egg all over them. I am prepared to admit that there may be a tithe of difference between his level of skill with the skillet and my own. He is, after all. one of the greatest chefs of his age. He is a tireless enthusiast for the quality product and a fid.def. where vegetables are concerned.

Can this prince among cooks have anything to say to a generation of the oven ready gourmet meal from the chiller cabinet, of the Saturday voyage around the supermarket rather than the vegetable market? In short, is there anything in his book that you and I can have a crack at with a hope in hell that the result might not have M. Blanc scratching his head trying to make out which of his celebrated dishes it was supposed to be.

Perhaps all is not quite as bad as it seems. After all Raymond Blanc is entirely self taught. True, he may have started off with one or two advantages in this line that not all of us can boast, things like talent and a French nationality. Nevertheless his *Homard braise au jus a la basilic et aux petits legumes d'ete* is his, and his alone. What is more, he made it in England. So, where he has lead, may we not follow? We may, but there are obstacles.

I sometimes question whether cook books are made to be used in the kitchen or to be left lying around the sitting room to impress visitors. This one is a case in point. It has all the handsome art direction that now characterises the superior cook book. Untold sums have been lavished on the photography, and the typography is a model of today's cool chic (grey on white and rather hard to read as a consequence). What will a couple of fat splodges, a dribble of cream and a splash of wine do to all that exquisite design?

M. Blanc, if I read him aright, would not be upset in the slightest if his volume does get to bear the scars of a working kitchen. He has clearly gone to great lengths to break the recipes down into precise stages. The instructions are exemplary. There are useful tips by the handful, but unless you have a photographic memory, you will have to drag all 3lbs 6oz of it (much the same weight as the Constance Spry hardback edition, incidentally) into the kitchen, and let it takes its chances.

You need it there, anyway, to compare your stab at the *Charlotte de legumes au saveur de provence et mignons d'agneau au romarin vinaigrette aux herbes* with the picture of the original. I suppose it might be claimed that beautiful photographs of beautiful food are inspirational, but I have found that contemplating the yawning chasm between the picture and my botched ruin seriously impairs my mental stability.

Never mind, nothing daunted let us venture in. Let us begin at the beginning, Basic Recipe's and Techniques - Stocks. Oh dear. Here we go. There's *jus de veau/glace de veau* that requires fondue de tomates - where did you put the fondue de tomate, Deirdre? - and which needs to be strained through a fine conical sieve and then through a muslin cloth and will produce 18 fluid ounces of flavourful veal stock which you can keep for up to three weeks in the freezer and up to one week in the fridge. Add that to the little containers of *fumet de poissons*, the *fumet de sole au gewurztraminer, fond blanc de volaille, jus brun de volaille, fumet de legumes, nage de legumes, herbes et condiments*, and the *gelee de viande au madere*,and we're ready to go.

Instantly we are at a disadvantage. I sense that there may be a difference in scale between Raymond Blanc's ambitions and those of the average householder entertaining in mid-week. He is prepared to put more work into a basic stock than many people are into an entire meal. But he quickly has us back on the straight and narrow. I warm to a man who writes of quenelles and mousses "traditionally the mixture is sieved before adding the cream, but I find this wastes time and effort." There is the crisp conviction of common sense behind the observation concerning poaching fish: "Do not put the lid on tightly when poaching, or the heat will build up and spoil the taste and texture of the fish."

We may not aspire to a sublime *terrine de canard confit a la presse a la fricassee de cepes* or to a transcendental *feuillantines caramelisees aux pommes, creme aux gousses de volailles*, but we can aspire to the first halting steps in that direction. In his principles, his insistence on ingredients, his enthusiasm for his subject, and in the innumerable asides, notes and hints, there is not a kitchen in the country that could not find something of practical value in this book.

Short of eating at the Quat' Saisons every day, I would recommend browsing over the book. And at £17.50 a copy, it is rather cheaper.

Peter Fort

Rachel Billington on a feminist appraisal of the life, works and death of poet Sylvia Plath

Portrait of the artist as a tortured soul

SYLVIA PLATH
by Linda W. Wagner-Martin. Chatto & Windus, £12.95, 282 pages.

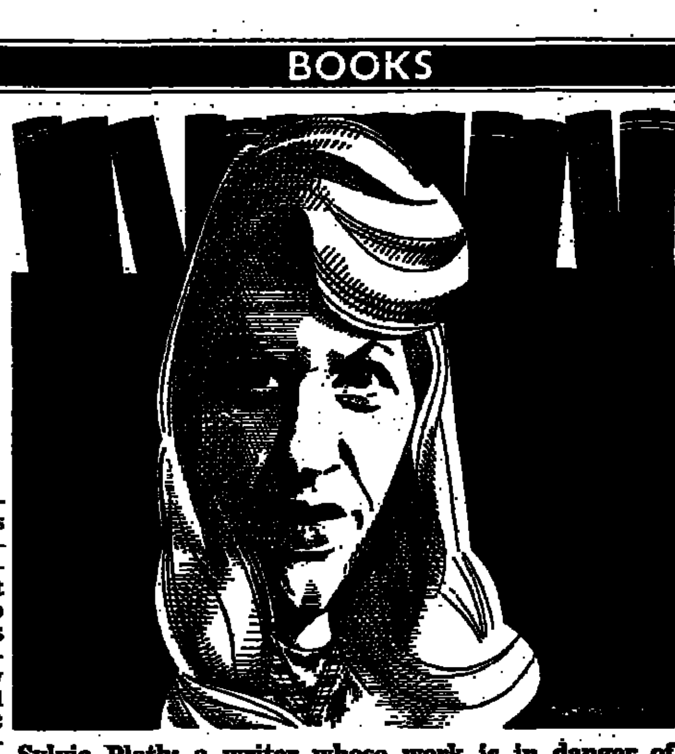
SYLVIA PLATH is one of those writers whose work is in danger of being overwhelmed by her life. Marriage to the poet Ted Hughes, publication under a pseudonym of an autobiographical and highly personal novel, *The Bell Jar*, and suicide at the age of 30 turned her into a cult figure. It was also her luck, or bad luck, to coincide, posthumously, with the height of American feminism. She was seen as the golden victim of a man's world. The bibliography in Ms Wagner-Martin's book includes many titles such as *My Life a Loaded Gun, Female Creativity and Feminist Poetics* or *Jocasta Complex: Mothering and Women Geniuses*, and this attitude of subjective feminist awe tends to creep into her picture of Sylvia Plath. One cannot help wondering what a man would have made of the life. In fact the man's perspective is almost entirely lacking from this book since Ted Hughes has, understandably, made it a rule not to give interviews and Ms Plath's early boyfriends do not seem to have been approached. This gives a somewhat one-sided effect, although it is possible, as Ms Wagner-Martin suggests, that Sylvia Plath's relationships with women were of major importance. The most fundamental of these was with her mother, Aurelia Plath – and not just in her childhood.

In 1975 Mrs Plath edited and introduced *Letters Home*, her daughter's correspondence from 1950 to 1963 – the year in which Sylvia died. This mass of letters and the explicit commentary, perhaps inevitably, have a far greater impact than the present biography. They make clear the enormous pressure to succeed which Sylvia received from her family background. Both her parents were European émigrés who came to America burning with ambition. When Otto Plath, who was much older than his wife, died in 1940, Sylvia was only seven and her brother even younger. The effect seems to have been traumatic, leaving Sylvia with a desperate and never-satisfied need for a male protective figure. For Mrs Plath it meant a doubling of ambition for her daughter and a severe change in their financial position. From then on Sylvia's urge to succeed encompassed financial as well as psychological needs.

In line with many other writers, Ms Wagner-Martin implies that Sylvia Plath's neurotic anxiety which led to her first breakdown and attempted suicide at the age of 20 was mostly due to this motherly pressure. She does also allow that the poet's perfectionist nature made her acutely self-critical. Despite a childhood and youth filled with academic and creative triumphs, any failure reduced her self-esteem to a dangerous low. Her two days of pill-induced unconsciousness passed in the cellar of her mother's house, ended a depressive cycle which had begun when she heard of her failure to be accepted for the prestigious Harvard summer school fiction course. When she recovered and resumed her studies at Smith University, she embarked on a series of self-image improving love affairs, although to her more serious boyfriend she posed as a virgin. Above all she was competitive. Only winning gave her the confidence to proceed.

Sadly, her last years in England were calculated to confuse this instinct. Ostensibly she had everything – and this was the image she liked to present to the world – she was married to a brilliant, handsome and very male poet. She had two beautiful little children. She was a published poet and, towards the end, the author of a well-received novel. But in fact, her husband's poetic achievements tended to put hers in the shade and he had fallen in love with another woman. Looking after the children gave her little time to write and the novel exposed her in a way that caused her acute pain. More dangerous still, she was in an alien country whose ways made the competitive game far more difficult to assess. One of the most fascinating questions is why this all-American girl who hated the ancient grime of England, did not return to America after her separation from Hughes. She reacts almost with anger when her mother makes the suggestion. And that, of course, may be the clue. It would be an admission of defeat. And yet it led to a far greater defeat.

Any book written about a life that ended in suicide has the tragic compulsion of a detective story. All through, one looks for the clues, wishing that the clock could have ticked differently. If her father had not died, if her mother had been less ambitious for her, if she had married an American, if that last winter in London when she was alone with her children, the city had not been so unnaturally covered in snow and ice... Yet in the end, during this period of greatest misery she was writing some of her best poems – those collected under the title *Ariel*. And in the poetry all the miseries are turned into words: muscular, vibrant and unforgettable.



Sylvia Plath: a writer whose work is in danger of being overwhelmed by her life

The struggles of an unorthodox mind

A MIND OF HER OWN: THE LIFE OF KAREN HORNEY
by Susan Quinn. Macmillan £16.95, 479 pages.

KAREN HORNEY, one of the few gentile psychoanalysts to achieve fame, argued that much of life is determined by environmental rather than biological pressure. She also struggled (one almost says manfully) with some of orthodox psychoanalysis and its adherents, both in Berlin before the 1930s and the United States thereafter, to make this point. She contested the lack of belief in motherhood shown by Freud, and the prominence given to penis envy in Freud's theory. The attempt to maintain a social perspective got her into trouble, and the battle over the penis got her surname into equal trouble ("Miss Horney").

Born in Hamburg in 1885, Karen Danielsen had a steamship captain father, a mother much younger than him and a brother, Berndt, whom the mother favoured. The young Karen looked elsewhere for the love that was missing from the parents and found it first in her teachers, and then in her career, at Freiburg Medical School, where she was the only woman in her class. Her parents had separated by this time, and Karen was ready to idealise others as the things her parents had never been. One of these was a political scientist, Oskar Horney with whom Karen moved to Berlin in 1909, after marriage.

Here she encountered psychoanalysis, becoming a patient of Karl Abraham, one of Freud's most gifted associates. Karen's father died in May 1910, and Horney seems to have undergone analysis to help in the depression that followed the departure of her always remote father.

Susan Quinn suggests that Horney was not much helped by Abraham or analysis at this point, since Abraham invoked a sexual aetiology (including what Quinn disarmingly calls "that old bugaboo masturbation") instead of looking at Horney's desire to come and go, to imitate the prostitute's life, in her dealings with men. And Horney did get over-involved in strange things: in 1911, she had an affair with one of her husband's colleagues and contemplated suicide when it ended.

Horney had three daughters with Oskar and seems to have both cared for them and insisted on their being analysed by Melanie Klein (the usual mixed blessing). But she was always slightly at sea, like her father, her eye both on the port of call and the open ocean. Horney's marriage ended in 1927, and she spent the years before 1932 and the departure to America helping make the activities of the Berlin Institute one of the most creative in the history of psycho-analysis.

Between 1922 and 1935, she wrote 14 papers on female development, many of them at odds with the Freudian view of women as defective for want of a penis, and at least one of them taking the view that marriage based on monogamy is merely a device for control, and faithfulness "genital inhibition." Horney was to make her case the opposite of the orthodox. Men might suffer womb envy, for example. And they might well envy the multiple pleasures brought by the clitoris. In various forms, as a book of 1926 described, women (and some men) were in *Flight from Womanhood* because they lacked the courage of their natural convictions.

Beginning her new life away from Hitler's Germany, in Chicago, Karen Horney's career takes on the difficulties both of her departure and her challenge to Freudian orthodoxy. Horney's time in America, and especially New York, sees her becoming more "difficult" but also more convinced of the need to relate psychoanalysis to social issues and social theory. Horney appears as a powerful combination at this time of a woman who wanted men, without quite knowing why, and who also believed in the debilitating nature of social greed, and organised envy of *l'Americaine*. Instead of the world of psychoanalysis, she really belongs in an Ibsen play, since the problem of her later life was the difficulty of sorting out the neurotic in herself from the neuroses of the social culture of envy. Collaborating with the still underestimated figure of Erich Fromm, at the Institute of Social Research, Horney also joined up with Harry Stack Sullivan, thus drifting further away from New York psychoanalysis. In 1941, Horney broke with the Institute there, branded from then on as a social oriented female rebel who had betrayed the fundamentals of Freudian teaching. A breakaway association was also internally broken up.

Susan Quinn's biography is rather breathless, and prone to simplistic judgments of its own. But it is well researched, and suggests once again that the levels of in-fighting and sexual hostility within psychoanalytic circles are inordinately high. (It turns out that the historian and psychiatrist Gregory Zilboorg took payment in the form of tickets to a Joe Louis fight). *A Mind of Her Own* is a bad title, because Horney never seems to have wanted one. Rather, she sought for social bases for psychological problems, and for a perfect man who would take her away from the neuroses of personal consciousness. There's a touch of the Hamburg lady of the streets in Horney, a restlessness, that left her theories incomplete and her anti-authoritarianism more than a little authoritarian. But she made her challenge, in accessible and socially aggressive ways, and no student of psychoanalysis can altogether ignore the mixture of biology and environment that Horney understood in others but probably not in herself.

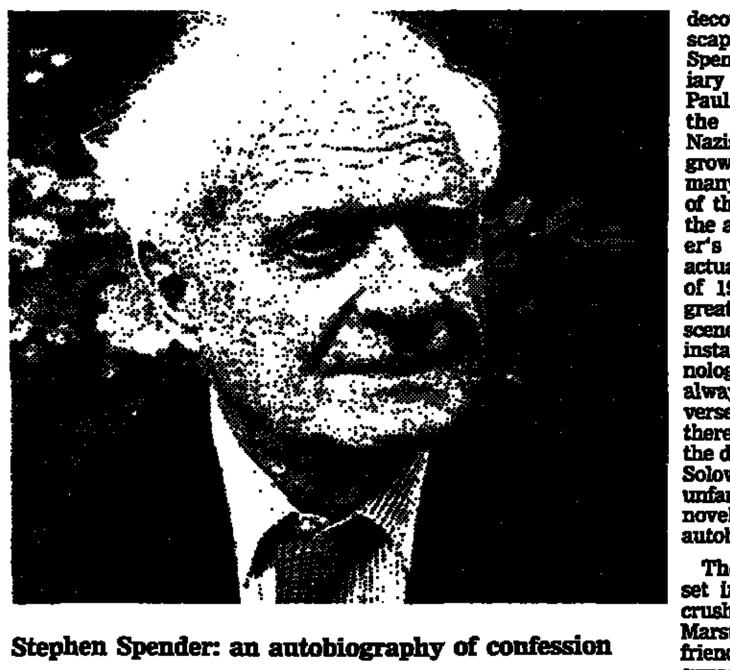
Michael Neve

Lost boys within a fallen temple

THE TEMPLE
by Stephen Spender. Faber and Faber. £10.95, 210 pages.

THE PHOTOGRAPH by Herbert List on the dust jacket, of a youth wearing brief bathing trunks that fail to hide his erection, is appropriate if indelicate, because Stephen Spender's new novel, set in Germany during the last phase of the Weimar Republic, is concerned with male homosexual relationships, the temple of the title being the human body. Each of the couples involved consists of a middle class predator, German or English, and a working class German boy he has picked up, usually though not invariably in a bar, whom unemployment caused by the post-war inflation has pushed into prostitution.

In his introduction Spender explains that the book is a recent reworking of a piece of fiction he wrote as a young man more than 50 years ago, soon after the events it deals with took place. For it is confessedly autobiographical, several of the leading characters – Auden, Isherwood, the photographer List and others – being presented under transparent disguises. But although much of the action stays close to the truth, as recorded in Spender's autobiography *World Within World* (1951), there is also a great deal of embroidery and invention, the result being in his own words "a complex of memory, fiction and hindsight."



Stephen Spender: an autobiography of confession

Much of the earlier version has been discarded, in particular the interior monologues in which the characters originally engaged, but in both versions – relying for the earlier one on the table of contents given in Kulkarni's bibliography – the central chapters describe the 20-year-old narrator Paul's first visit to Hamburg, his trip to the Baltic with Ernst (Dr Jessell in the autobiography) and his tour down the Rhine with Joachim (List) and the latter's latest pick-up, Heinrich, all taking place in the summer of 1929. Interwoven with accounts of the sexual relationships, which the participants tirelessly discuss against a background of Bauhaus decor or one of the abstract landscapes that are a hallmark of Spender's prose, are two subsidiary themes: the private one of Paul's dedication to poetry, and the public one of the rise of Nazism characterised by the ugly growth of anti-semitism in Germany. Besides shifting the period of the more sombre Part 2 from the autumn of 1929, when Spender's second visit to Hamburg actually took place, to the winter of 1932 in order to provide a greater contrast with the sunlit scenes of Part 1, there are other instances of juggling with chronology for reasons that are not always apparent. And for those versed in the related literature there are further puzzles, such as the dropping of familiar names – Soloweitschik, Kurt Groote – in unfamiliar contexts, so that the novel comes to be seen as an autobiographical fantasia.

The opening English Prelude set in Oxford, describing Paul's crush on a fellow-undergraduate Marston and the early days of his friendships with Auden and Isherwood, is a paraphrase of the equivalent passages in the autobiography and appears to be factual, as does the account of the Isherwood character's visit to Hamburg accompanied by his boyfriend Otto in Part 2. The Epilogue merely reprints the revised (and improved) text of Spender's poem "Written Whilst Walking Down the Rhine," retitled "In 1929," first published along with the Marston poems and others in *Twenty Poems* (1930), the meaning of which he tries to explicate to the uncomprehending Joachim at the beginning of Part 2. In fact, a valuable function of the novel is to shed light on the early poetry generally.

It has other virtues, being beautifully written and compellingly readable, but the overall effect it had on this reviewer was one of claustrophobia, the feeling of being caged within the obsessive relationships on which it concentrates. The reason for this is clear. Apart from brief appearances by Irmi, who seems to have been introduced so that Paul – who improbably couples with her on the beach before breakfast having the previous night lost his virginity to Ernst – can recognise her as belonging to "an alien species," and a glimpse of the pregnant Lisa standing on a balcony, which echoes a lyrical paragraph in the autobiography, women play virtually no part in the novel. The adverse consequence of the omission may be appreciated when it is remembered that a major ingredient in the making of Isherwood's masterpiece *Goodbye to Berlin*, with which *The Temple* has obvious affinities, was the balancing of its homosexual undertones with the life-enhancing portraits of Sally Bowles and Natalia Landauer.

John Whitehead

Memoir of a century

FOURTEEN LETTERS
Feliks Topolski. Faber and Faber, £30, 512 pages.

THERE IS ore to be mined from *Fourteen Letters* but you have to work hard. Topolski's autobiography measures eight inches by ten and a half inches by one inch (paperback). The pages are not numbered, there are no separate chapters, there is no index, there are two solid columns of text per page, with emphases in bold type and the footnotes hardly big enough to read. Mr Topolski's writing style chimes with his drawing, which he explains better than I could:

"My drawing is of a seismographic inspiration: my hand/eye react instinctively and selectively and I knit together the elements which may be gathered while I move/travel through or take part in an action. . . Movement/character, not form, seem their *raison d'être*."

His first remembered drawings are of two dogs copulating, made when he was a tiny boy. But the actions that he has moved/travelled through and taken part in have given him some stimulating recollections and he has a great feeling for potent detail. Born in Warsaw in 1907, of a theatrical father and a maternal mother, he grew up during the First World War, attended art school, served with the cavalry officers reserve, went for a Grand Tour of Europe that he despatches in a couple of pages, and in 1935 came to England to stay. (This whole period occupies only 34 pages, six of them whole-page pictures.)

He had useful friends and soon made more. At the Cafe Royal (though he spoke little English) he got to know Augustus John, Epstein, Nye Bevan, Claud Cockburn, the Duke of Sutherland, Constant Lambert, *et hos genera omnia*. Germany invaded Poland in 1939, and Topolski became a War Artist. By the end of the war, he was successful in both commercial and purely creative work, and his life thereafter was the vigorous life proper to a footloose, unconventional artist. He was naturalised British in 1937, sponsored by Nye Bevan. His account reads like extracts from a diary. One possible way to approach it is to read his entry in Who's Who and turn up the relevant bits by flicking through the pages of *Fourteen Letters* until you come to the appropriate bold type.

But better than the narrative, there are the pictures – photographs, press-cuttings and of course the drawings that Topolski has made of so many events of this century, plus 16 coloured reproductions of details from his open-ended *Memoir of the Century*. I don't always like Topolski's work, but his own selection of it is in itself a vivid memoir of the century.

B.A. Young

CRIME

DEATH'S BRIGHT ANGEL
by Janet Neel. Constable. £9.95, 214 pages

THE CRIMES occur at a curious intersection of the pop world with industry and the government. In tangling and then untangling the threads, Janet Neel relies on what seems to be secure, inside experience of all these components (she also writes with feeling and sense about voices). Her policeman, John McLeish, gets the girl finally; but we must hope this happy ending does not preclude further appearances, as he gains promotion and moves to Scotland Yard. It would be nice to see the beauteous Francesca again,too.

William Weaver

The Inquisition's fear of flying

BALTASAR AND BLIMUNDA
by José Saramago, translated by Giovanni Pontiero. Jonathan Cape, £11.95, 333 pages.

THE SWIMMING-POOL LIBRARY
by Alan Hollinghurst. Chatto & Windus, £11.95, 288 pages.

JULIA PARADISE
by Rod Jones. Jonathan Cape, £9.95, 98 pages.

LIMESTONE AND LEMON WINE
by Thomas Shapcott. Chatto & Windus, £10.95, 183 pages.

José Saramago: an absorbing and unsentimental tale

DISCHARGED from the Portuguese army after losing a hand in battle, Baltasar Mateus is an idle spectator at a mass execution of heretics, when he sets eyes for the first time on Blimunda, the great love of his life. She is in the crowd, too, waiting to see her mother pass by en route for a public flogging and eight years' exile on a charge of "hearing voices." The date is 1711, and in Portugal the Inquisition is still all-powerful.

Mother departs for Angola, never to be seen again, leaving Baltasar and Blimunda to shift for themselves as best they can. They fall in with Father Bartolomeu Lourenço (a genuine historical figure), whose chief claim to fame is that he invented a rudimentary airship and managed to launch it in 1709. Together, the three of them build another version, the Passarola, and take off over Lisbon first, then the sea, then Baltasar's home town of Mafra. They have become the first human beings to make a powered flight. They are forced to keep the achievement secret, though, for fear of what the Inquisition might do to them.

The King of Portugal, meanwhile, has devoted his life to the construction of a Franciscan convent at Mafra, a pledge made to the friars in return for the promise that his barren wife would conceive within a year. Any suggestion that she has already conceived – as the friars well know from the confessional – would, of course, be patently ridiculous.

Baltasar goes to work at the convent after Laurenço dies, shifting earth with his iron hook, driving the oxen, hauling great columns of stone into position. He and Blimunda become accidentally separated, and for nine years she searches the length and breadth of the country for him. When she does finally catch up with him, on the last page of the book, their reunion is as moving as anything I have read for a long time, without being in the least bit sentimental. José Saramago, in short, has written a thoroughly absorbing novel, very ably translated by Giovanni Pontiero. It has been a huge best-seller in Portugal and deserves an audience here, too.

The Swimming-Pool Library, by Alan Hollinghurst, is an absorbing book, too, though of a different nature. It is a first novel set in the homosexual London of five years ago – before the great plague of AIDS struck – and narrated by a young, upper class Oxonian of vigorous sexual appetite. His life is devoted to the pursuit of casual affairs – strangers in cinemas, Arab boys in Hyde Park, elderly peers in public lavatories, rough trade at his flat, well-built waiters in the pool at the Corinthian Club – anyone, in fact, who has the inclination and a few minutes to spare. He is a "cottager," and this book is a celebration of cottaging.

It is also to some extent a novel of ideas, an examination of gay mores and of public attitudes to homosexuality over the past half-century or so. Alan Hollinghurst writes exuberantly, but with compassion, and pulls few punches in pursuit of his theme. The only serious quibble against him is that he has made his leading character a little too unpleasant to engage the reader's sympathy. The saloon bar romeo who insists on relating his past conquests in all their lubricious detail is remarkably true to life, but he is a figure to be avoided, too – in the flesh, at any rate.

Rod Jones's *Julia Paradise* is an enormously ambitious Freudian novel set mostly in the International Settlement at Shanghai in the 1920s. Honeydew Ayres, an opium-smoking Scots doctor, with a penchant for child prostitutes, is having an affair also with the eponymous heroine. She is an Australian missionary's wife, who fantasises about her father and is obsessed with incest and snakes and all sorts of things that may or may not have happened in the past.

Rod Jones: ambitious Freudian aims

The Rev Paradise, meanwhile, falls foul of the Chinese authorities and is arrested on a charge of burning down his own school. The Japanese invade, leprosy abounds, the times are never less than interesting. But Mrs Paradise's sub-conscious is at the centre of the book and it is here that the author displays both his strengths and his weaknesses. He has failed to make the most of his material – there are too many structural problems for that, too many dramatic opportunities missed – but the book is highly original nonetheless, a stimulating and most unusual piece of work.

Limestone and Lemon Wine, by Thomas Shapcott, is a collection of 17 short stories set mostly in and around the fictional Australian town of Limestone, a sort of Lake Wobegon in the Antipodes. The characters verge on the humdrum sometimes, but they are well-observed, and the stories themselves are told with great economy. Life in small-town Australia, it would seem, is not so very different from life in small towns anywhere.

Nicholas Best

CENTENARY CROSSWORD

Bet shirt on honest Brit

A total of 800 solvers submitted solutions to the Centenary Crossword, no fewer than 614 of whom tried their hand at composing a clue to the word BIRTHSTONE. (One reader, however, clued the word RECIPE and another two ITALIAN.)

Opening and sorting through this mass of entries was partly responsible for the postponement of this report for a week – for which my apologies.

During the course of judging, I concluded that it might have been wiser to choose a harder word to anagrammatise than BIRTHSTONE. Among the large number of variations the most popular were HONEST BRIT, THE BRITONS, THIS BRETON, THIS BRONTE; but there were dozens of others.

The result was that many clues were very similar, though some entrants managed clues using two or more anagrams: 'Bitter and nosh for the charm of an honest Brit,' or 'N.B. theorist, not herbist will commemorate new growth'; while Mr G.K. of Co. Donegal took matters to excess with what he described as the definitive clue: "Stubborn without exception about tithes! Honest Brit? No! The Brits are just muddled. It's the born stupidity of them that's hard to bear. Luckily, on the last extremity, it can be worn away." This came with 11 lines of notes and can be read as a deprecation of the British role in Irish history. Interesting, yes; definitive, no!

Anagram clues need to include some sort of indication that an anagram is present. Thus "Personal gem of the Britons" is not really enough. Nor do we permit indirect anagrams, as in "Emerald might be a variety of Pippin from Normandy," which expects the solver first to deduce "the ribston" and then to make an anagram of it.

I also decided that definitions such as "could be lucky" were not acceptable, and that "gem" or "ruby" were hardly sufficient without some mention of anniversary. This purist decision excluded from consideration such otherwise excellent clues as "Ruby's recipe for thin sorbet."

The sense of the clue as a whole must also be considered and this ruled out such efforts as "Sparkler skeleton round unusual shirt tail first" which makes no sense as a statement and thus tells the solver that it is a "salami" clue. The ultimate in convolution achieved was "Ring premiered in broken German – please leave out the beginning of the cycle and get to the brilliant bit in the middle." (R in an anagram of "bitte schön" without the C.) And "Belgium for 1,000 in fun with 224 from whence the wizard came turquoise in December" replaces M (1,000) in MIRTH (fun) by B (Belgium) with 224oz equalling (STONE.) Too clever by half! On the other hand "Precious talisman showing social class and style in the best part of England," was rejected because of the inflammatory nature of its last few words.

Having failed to make it clear that what we hoped for was one clue per solver, I cannot complain if several readers decided to submit anything up to a dozen. However, none of these multi-clue entries figures among the winners.

And so to the winners. Mr Rhodes happily achieved that rarity an "& lit" clue, in which the whole clue defines the whole answer, while the parts of the clue define the parts of the answer. The whole of Mr Rhodes's clue defines BIRTHSTONE, while the anagram indication is also present; there is a particularly pleasing double use of ROCK as both definition and anagram indicator. Mr Woolf's clue represents a fresh approach with a clever anagram and a misleading definition (just allowable in the circumstances); while Mrs Harvey's is an imaginative use of the anagram.

Commiserations to non-winners, especially to readers abroad who gave elaborate instructions for the delivery of the FT champagne to UK addresses; and most particularly to Mr R.W.D. of Cyprus who had hoped to broach the bottle on his mother's 95th birthday this summer.

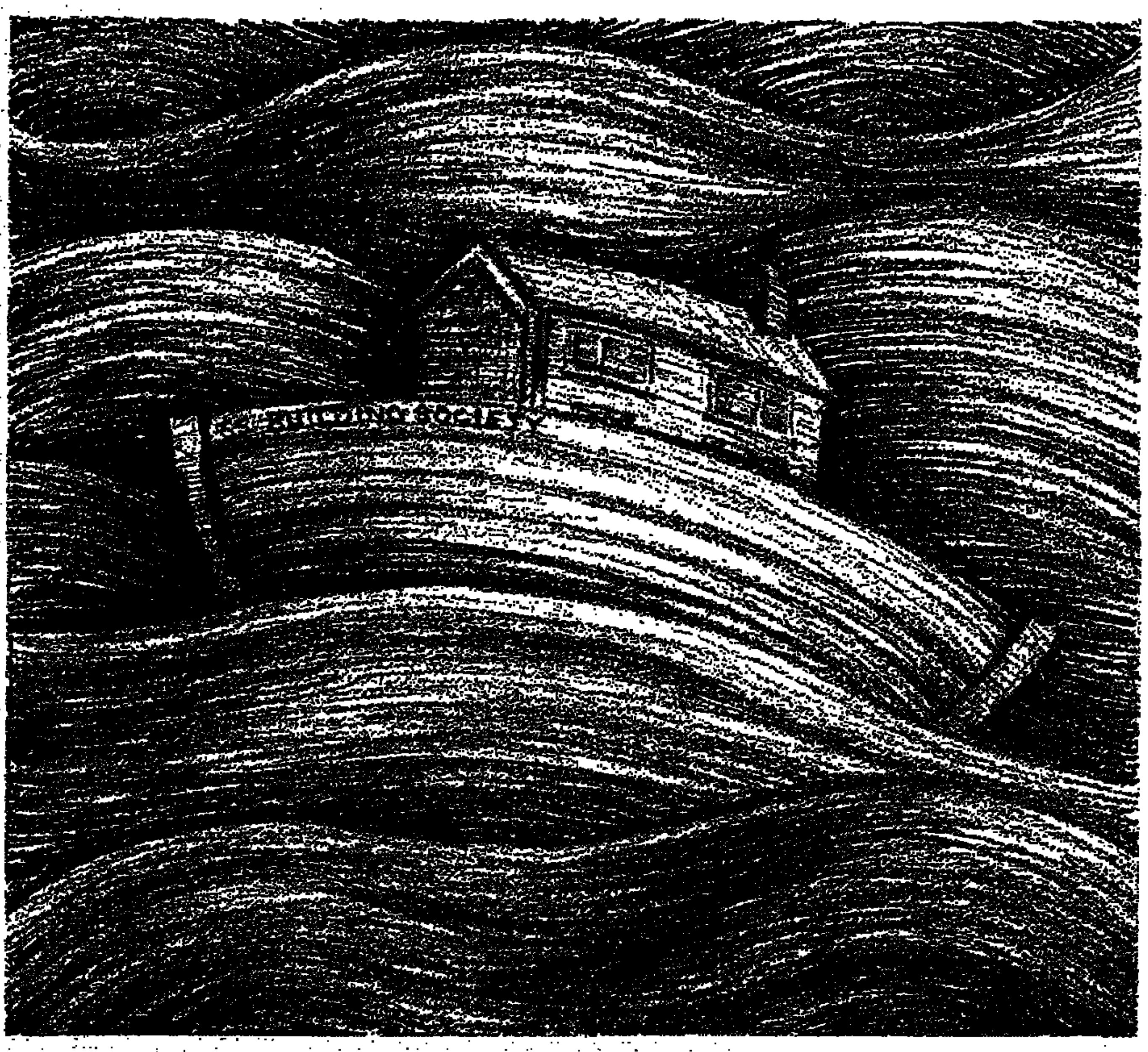
The Winners

"Rock the Britons associate with nativity" Mr H. Rhodes, Pannal, Harrogate.
"Tenth Boris mishit: what a gift for 'The Brat'" Mr B.J. Woolf, Graffham, Petworth, Sussex.
"Bet shirt on 'Crazy Peridot' for Leo" Mrs R. Harvey, Leven, Fife.
"Honest Brit turns out to be a real gem – just for the month!" Mr T. Dyson, Weybridge, Surrey.
"This Bronte novel – it's the jewel of the month" Mr B. Roe, Wigston, Leicester.

Colin Inman

FINANCIAL TIMES SURVEY

The first year of the Building Societies Act has not been easy. There are many restraints. But, says David Barchard, the turn in the markets since October is allowing the societies a respite in which to make strategic decisions about life in an increasingly deregulated world.



□ Illustration: David Worth

Building Societies

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Learning how to compete

AFTER SEVERAL increasingly difficult years, Britain's building societies find themselves unexpectedly the beneficiaries of October's stock market crash.

Funds which a year ago were being poured into the stock market are returning to building society accounts. The societies' share of the mortgage market, which by the third quarter of last year had dipped for the first time below 50 per cent, is rising again.

The wholesale funds on which other mortgage-issuing institutions depend are once more climbing in price, relative to the retail funds on which societies primarily depend.

If things are getting easier, it is not because the market or the institutions in it have returned to the rather unadventurous stability the societies lived in before 1980. It is rather that an unexpected turn in the markets is giving building societies a respite in which to make strategic decisions about how to survive in an increasingly deregulated and competitive market.

Some societies, including probably the largest and best known, are likely to decide eventually to become fully fledged retail financial corporations, and may ultimately discard their status as mutual societies to become public limited companies.

Not everyone believes this is inevitable. Defenders of the status quo can point to a fair record of success. Though there are around 137 building societies, nearly 60 per cent of their assets is concentrated on the five largest. The largest 16 have about 86 per cent of the industry's assets, which are becoming steadily more concentrated through mergers.

The two largest societies, the Halifax and the Abbey National, with combined assets of £57bn, are in a different league from the others, with the possible exception of the newly-merged Nationwide Anglia. Almost all the societies at the upper end of the industry can report returns on mean assets of between 15 and 25 per cent in 1987.

Though the word "profit" is relatively new to mutual societies, the larger societies, with a few exceptions, seem to have been able to maintain their profitability despite inroads made into their traditional preserves by rival mortgage lending institutions since 1984; and despite the stock market boom and the series of privatisations that accompanied it, siphoning off savings which would previously have been invested only in building society accounts.

Exposure to competition has taught the larger societies how to diversify and compete. In the course of doing so, the old uniformity of the industry has gone. Each society has had to decide for itself not just about interest rates, but also about such matters as whether to install automated teller machines (ATMs); whether to issue new money transmission services to customers, such as cheque books and credit cards; how to handle unfamiliar lines of business, such as insurance, investment services, unsecured personal lending, leasing, and estate agency.

Only the larger ones have been able to attempt to diversify on a broad front. Those in the second tier have been forced by the limits on their resources to be more selective. This is why, for some of the more aggressive second-rank societies, the temptation to convert to a limited company and gain access to equity may be stronger than for the larger ones.

However, the more societies have learned to diversify and compete, the more they have come to resemble the major banks. This has made them increasingly aware of the restraints imposed by the Building Societies Act of 1986.

Some general managers considered the Act outmoded by the time it came into force, and that the legislators were lagging behind the market and its pressures. These complaints have not gone unheeded. The scope of building society activity has been widened over the last three years, more drastically and more rapidly than could have been imagined at the outset.

However, the Government and the Building Societies Commission have to legislate not simply for giant financial bodies that look and act increasingly like the banks they compete with, but also for the majority of societies, which are small bodies unlikely ever to diverge far from their mainstream work of collecting savings and issuing mortgages.

The future of the smaller societies in a competitive savings and mortgage market is also uncertain. Many of the smallest are quietly folding their tents and being absorbed by larger regional neighbours, sometimes at the prompting of the Commission.

Whether or not the smaller medium-sized societies which retain much of the character of the industry a decade or two ago can survive is hotly debated. One school of thought holds that they can, by becoming "niche players", finding specialised markets among housebuyers and savers, and slimming down their management expenses. Many smaller societies say this formula is working handsomely and will continue to do so for the foreseeable future, though it is increasingly hard work.

One or two look forward to a future when the larger societies will have left the building society world for that of banking and high finance. They believe that something of the closeness of the old days may then return. It is likely to, at least to the extent that the smaller societies may find it necessary to pool some of their resources in activities such as computing and advertising in order to compete in a lively retail finance market dominated by large organisations.

Nearer the top of the market, building societies have greater freedom to experiment with novelties. The Woolwich is "cold-starting" its own estate agency organisation. The Leeds Permanent has joined Visa, and is to issue a branded credit card. Nationwide Anglia operates a cheque book system for interest-bearing current accounts.

The treasuries of the major societies have also gained familiarity with the instruments of the wholesale money markets, from CDs to swaps, drawing closer to the world of international banking as they exploit sources of funding unknown to them a few years ago.

It may sound as if the larger societies are evolving into banks. But this is not a claim that any of them make, partly because they are conscious that, although banks have more prestige than building societies, they also have a much less favourable image with the public. Building societies are thought to be customer-friendly institutions. Retail banks, fairly or unfairly, are not.

Those societies that are moving towards incorporation as companies tend to favour a different model. The larger ones at least see themselves offering the public an assortment of sophisticated retail financial products, from mortgages to personal loans to insurance, and perhaps stockbroking and unit trusts.

"We won't become a bank. Marks & Spencer has a banking licence, but it isn't a bank," says the general manager of one large building society.

Smaller ones may not have the option to chose to be a bank or not, unless they grow through mergers; for they would have to receive the prior approval of the Bank of England before conversion – and the smaller societies would be unlikely to be given it.

Mr Andrew Longhurst, chief executive of the Cheltenham & Gloucester, sums up the dilemma of the smaller societies by saying that he regards incorporation as inevitable eventually, though he does not believe it is a route that can be followed by a society with less than a 10 per cent share of the market.

There may be other avenues, so far ignored. Societies might be allowed to merge with mutual insurance companies, or a large building society might be permitted to buy a stake in one of the smaller banks. Perhaps British building societies, like Australian ones, will be allowed to issue some form of equity without being required to incorporate first. Two societies, the Nationwide Anglia and the Alliance & Leicester, have already issued subordinated debt, at the very first moment it became legally possible to do so.

Further changes in the legislative framework of the industry will probably have to wait until it becomes clearer how far societies can progress within the newly established set of rules.

Technology has changed the scene almost as much as the new legislation. Indeed, without computerisation, it is doubtful whether the societies could have accomplished the dramatic transformation of their operations that many have achieved in the 1980s. The price of computerisation is high. Several societies report that they are spending around 25 per cent of their capital budgets on recurrent computer related expenses.

New management skills are more elusive, but it is probably fair to say that, 10 years ago, a typical senior executive had been with his society most of his working life and knew little of the corporate world outside. Today, senior building society executives have often had varied careers before joining their present employer, and have a correspondingly up-to-date grasp of management and strategy.

Under their leadership, the larger building societies should not have too much difficulty making the most of opportunities in the post-Crash savings and mortgage markets.

But the longer-term strategic decisions, many of which will probably have to be made this year, involve entering uncharted territory where survival for a financial institution is more uncertain. Risk should mean higher rewards for the successful long-term strategists, and perhaps the gradual elimination of weaker players.

Societies are now free to shed the mutual status inherited from their 19th century founders

How the Budget could assist evolution

JANUARY 22 this year may go down as one of the landmarks in building society history. It was the day when the Halifax, Britain's biggest, announced that it had appointed the merchant banker N.M.Rothschild to study its future options, including possible conversion into a public company.

The Halifax is adamant that, at this stage, it is only reviewing its options, and that conversion is just one of them. Nonetheless there is a strong inference that the days of mutual status, at least as it has been known up till now, are numbered.

Since the beginning of this year, building societies have had the power to shed their mutual status and become companies if they chose to do so.

A year or two ago this option was virtually a taboo. Many building societies were firmly attached to the mutual status that they inherited from their thrifty 19th century founders. Words like "member" and "surplus" were used, rather than "customer" and "profit".

All that is now changing. The larger societies have evolved into giant financial bodies with little or no real control by members. Some of their financial practices are already a departure from 19th century mutualism – the use of wholesale funds raised on the money markets, for instance, rather than reliance on members' savings. Mutual status shelters the smaller building societies from the risks of a takeover or the consequences of serious commercial mistakes.

Building societies are regulated not by company law, but by the 1986 Building Societies Act which places firm restrictions on what they can do. The Building Societies Commission regulates the day-to-day workings of the societies, sets further limits on the activities of some of the smaller ones, and occasionally steps in when it thinks things are going seriously wrong.

Hence, although the limits of what is permissible for them have been steadily widening in the 1980s, building societies cannot do many of the things that are done by the banks or limited companies with which they are competing.

Even though the review of their powers under Schedule 8 of the 1986 Act was announced on January 26, societies cannot lend unsecured personal loans of more than £10,000; they cannot buy a majority stake in an insurance company; they cannot offer financial services to corporate bodies.

A further disincentive to staying mutual is that societies are much more dependent for profit on low management expenses than companies are. As a result, building society executives tend to be paid less than their counterparts in banks. This isn't simply disagreeable. It also makes it harder for them to recruit personnel of the right calibre when diversifying.

The main restriction imposed by mutuality, however, is that building societies cannot finance themselves through the *issue of equity shares and so* have additional funding to grow and diversify. Relaxation of the 1986 Act, to allow societies to tap more wholesale funding and to raise subordinated debt of up to 50 per cent of their reserves, is probably only postponing the day when the larger societies feel the need to fund themselves by issuing equity shares.

Although the limits are widening, societies cannot do many of the things done by banks and companies with which they compete

This constraint affects large diversifying societies, rather than small ones sticking to traditional mainstream business. The pinch may be greatest for the second tier of societies, those with assets of between £4bn and £10 bn, already being sucked into the competition for diversified financial services in the high street, but lacking the huge asset-base of the Halifax or the Abbey National.

So why not go public? So far the most that the major societies will say is that they are studying the matter, though many observers believe that the slide towards incorporation is irreversible. They would agree with Mr John Bayliss, general manager of the Abbey National, *that the societies do not yet* enjoy "level playing fields" in competition with the banks, and who believes that mutuality is on the way out in much of the world.

"Building societies will not go out of existence," says Mr Bayliss, "but there are going to be a lot less of them than there used to be, and those are going to remain will be fiercely competitive."

Evolution into large retail finance corporations, however, is currently blocked by several obstacles. At present no building society can probably afford to convert. To do so, it would have to pay capital gains tax of 35 per cent on its net assets, including goodwill. It would also have to pay capital duty of 1 per cent on all its shares and 1 per cent stamp duty on all its assets and those of its subsidiaries.

This situation can only be remedied by the Chancellor, and the societies and their advisers will be scanning this month's Budget to see whether the obstacle, which was not faced by any state industries when they went public, is removed.

Then there is the need to seek the approval of a majority vote of 20 per cent of members at an AGM. It used to be said that this was an insuperable hurdle. The large societies would face a vast ballot, with at least 1.5m voters in the case of the Halifax, for example. But most now seem to believe that they probably will be able to do it, even if voters will have to be given some sort of "sweetener" to approve the change.

The practicalities would be cumbersome, and it might take up to two years before a building society could complete them and become a company. Timing would be all-important. No one knows how many flotations the market can stand, but it is unlikely to be more than three or four, at least during the first phase.

The flotations would be large operations – if the privatisation of nationalised industry is anything to go by, the flotation of the biggest building society, the Halifax, would mean the issue of between £1,500m and £2,000m of equity.

Latecomers might find the markets had already been exhausted, or that things had already gone wrong in an earlier flotation. They might then be left in a more exposed position than if they had soldiered on with mutuality.

Most of the likely candidates for conversion are staying coy about their intentions in what could easily develop, once the tax obstacles are removed, into a war of words. Even those second-tier societies that say they see no immediate need to shed mutuality are assumed by others to be biding their time, perhaps in the expectation that, once the first wave of conversions is over, building society flotations may become quite normal periodic events.

Some may study other options, including mergers with other building societies, to beef up their market share. Mergers would have to be got out of the way before a flotation, because, after it, the new entity would be protected from take-over for five years.

After that, of course, like any other public company, they could be vulnerable to an unfriendly takeover – another consideration which is making some societies hesitate before announcing that they will take the plunge.

David Barchard

Mergers

Top marriages usually fail

BRITAIN'S BUILDING society movement is shrinking and expanding at the same time. There are fewer societies each year, but the volume of business they do is growing.

In 1980 there were 273 building societies, compared with 726 twenty years earlier. By the end of 1987, there were 137, of which 119 belonged to the Building Societies Association.

The unwieldy nature of the building society world – with giants like the Halifax and the Abbey National at one end, with assets of around £31bn and £27bn respectively, and one-branch operations with assets of a few hundred thousand pounds at the other – makes supervision and regulation unnecessarily cumbersome.

Until 1983 and the end of the cartel, it did not really matter. Building societies had a rate structure and offered identical products. Now that they are evolving in different ways, keeping track of them gets ever harder.

The volume of savings deposits held by the societies rose to £115.7bn, from £49.6bn, between 1980 and 1986. In the same period the number of shareholders rose from 30.6m to 40.5m, depositors from 915,000 to 2.8m, and branches from 5,684 to around 7,000.

The building society movement is clearly not withering away. But a pattern of concentration is clear. As societies grow larger, they tend to evolve into financial corporations, unlike anything dreamed of by their founders in the last century.

Many people wonder openly how long mutualism will be able to survive. The concentration is happening because of changes in two parts of the market.

First, small one-branch operations, the norm in the 19th century mutual movement, now find it increasingly hard to stay afloat. They tend to be silently mopped up by their regional neighbours, either because an entrepreneurial chief executive has retired or because the Building Societies Commission has quietly stepped in and forced the merger, telling a healthy society to absorb a sickly smaller neighbour. This sort of operation is easy, because it usually requires only a vote by the smaller of the two societies, which may well have lost the desire for independent existence.

Not so the mergers or unions of the larger societies. These bristle with problems, usually prove debilitating for years, and not infrequently break down at the last minute. At the upper end of the market, the list of mergers that have not taken place in recent years is far longer than that of the ones that have. The Nationwide-Woolwich merger, the Yorkshire and Bradford and Bingley merger, the Leeds Permanent and Leeds and Holbeck merger, these are just a few of the marriages that have broken down at the altar.

Unsurprisingly, mergers are among the chief preoccupations of an industry increasingly concerned with economies of scale, profitability, rationalisation and larger market shares. If they were easier, they would enable middling sized societies to get together and form entities as large and aggressive – and as sure of their future – as the Halifax or the Abbey National.

The trouble is that all mergers are distasteful to one side or the other. Building societies, as befits entities that have grown up in a deliberately protected institutional environment, are better placed than companies to translate distaste into intransigence. A merger of two large societies will require the consent of 75 per cent of members attending meetings of both, and the approval of the staff of the two organisations, especially their boards and their chief executives.

The difficulty of getting members' approval can be exaggerated. "You could hold our AGM in a telephone box," says one building society's general manager. "And I suspect that is true of many others."

Winning the acquiescence of staff and management, on the other hand, can be harder. There tends to be little open discussion of the market pressures forcing the weaker of the two societies to seek a merger. Since most building societies at the upper end of the market can demonstrate at present that they are making a fair profit, the cogency of the case for a merger may not be fully appreciated by all those involved.

Unlike a company, however, staff, investors and management have considerable scope to make their wishes felt in a building society merger. Staff wishes on both sides have to be respected in a way that they do not in a company merger, because involuntary redundancies are out of the question. All this translates into repeated mentions of the "different management cultures" of the two societies.

The biggest hurdle, and one which is frequently not surmounted, is what to do about the men at the top. Traditionally the most successful mergers are those which take place when a chief executive of a building society bows out on retirement, thus relieving everyone of the dilemma of finding a future role for him.

"I may regard a particular building society chief executive as an outstandingly able and imaginative man," says Tim Melville Ross, chief executive of the Nationwide Anglia. "But the problem is that he is a 'chief executive', and if our societies were to merge there is no other job he could do."

Duplication in other areas can be a problem, too. Nowadays it may be possible to convert unneeded branches into estate agencies or insurance officers. Reconciling divergent computer systems can be a bigger problem. Despite this, it is hard to think of a building society that is not the result of a merger. Even the Halifax and the Abbey National, are the products of mergers, one in the 1920s, the other during the second world war.

Awareness of the possibility of mergers pervades the industry. "You don't let hostility or personal competition go too far," says the general manager of one northern building society, "because you know that there is always the chance that merger will be needed some day."

Successful mergers, like that of the Alliance and Leicester in 1987, or of the Nationwide with the Anglia, are rarer however than the failures.

The Woolwich and Nationwide merger would have produced a society almost equal in size to the Halifax, and a certain sense of missed opportunity hangs over discussion of it. This and other similar near-misses were almost certainly the result of revolts by senior management against the impending union. Now the Woolwich hopes that its merger with the much smaller Gateway will take it up in the market once more.

David Barchard

Credit cards & personal loans

Leeds picks a plastic pitch

LAST MONTH the Leeds Permanent became the first building society to apply to become a member of Visa. Building societies have been late getting into the credit card market, disbarred by the original terms of the 1986 Building Societies Act.

That was put right by an order before parliament in December, which allowed them to become members of credit card networks such as Visa.

At the beginning of 1987, the *Leeds* had gone into the personal loans market. Personal loans are a market in which all major building societies have shown interest. Unsecured loans earn lucrative rates of interest, on average about 10 per cent above the mortgage rate.

Most societies still prefer to tread carefully in the unsecured loans market, which is recognised to be relatively high risk business compared with their traditional mainstream mortgage-lending business, and most have sought the safe option of working with an agency.

The Chartered Trust, an offshoot of Standard Chartered Bank, works with about 37 building societies who find customers and charge a commission. Another option is to work with a joint venture partner, as the Leeds does.

The extent of building societies' involvement in the personal loans market is open to conjecture, as the Building Societies Association does not publish figures for it. There are serious constraints. Unsecured lending of all types, class three lending, must be limited to 5 per cent of a society's total lending, and an individual cannot borrow more than £5,000.

As a result of the Schedule 8 Review, these figures will rise by stages to 10 per cent by 1993 and to £10,000. That figure is suitable for customers who want to buy a boat or pay for a holiday or their children's school fees. But it will not cover a bridging loan, as Mr John Bayliss, Chief Executive of the Abbey National observes.

Loans run for between six and 60 months, *in amounts* varying between £500 and £5,000. A society like the Skipton, which uses Chartered Trust, can offer higher loans, since it is not the lender and

Continued on next page

David Barchard assesses the savings market

Taking the tide

THANKS TO the stock market crash, funds from small investors have begun to flow back to the building societies after several very lean years.

November and December, normally months when savings are down because of the Christmas shopping spree, were excellent for the societies, with net receipts at £1,126m and £1,069m. One or two say openly that they are suffering from excess liquidity.

This is a complete turn around from early last year, when funds seemed to be steadily ebbing away to other investments, particularly equity and unit trusts. Net receipts from the retail sector for the societies had declined every year since 1984. By the end of 1987, however, building societies had attracted £7,577m *from retail investors*, 25 per cent up on 1986.

It is a welcome respite, during which they can take advantage of their new found liquidity to undercut the banks and mortgage companies with special offers. Meanwhile, they have time to rethink their strategy before the market changes again. The old days, when they could collect funds from savers with one hand and give out mortgages with the other, are unlikely to return. Alternative forms of investment, such as unit trusts and equity, can be expected to make a permanent appeal to savers who are growing more sophisticated.

If a bull market returns, the building societies could quickly find themselves squeezed as badly as they were in the first half of last year. Some also believe the "savings culture" itself may be changing, with personal loans and other forms of borrowing eroding the savings habit.

Taking the most obvious option and paying higher rates to savers than their competitors do is one way to go. Building societies in the past have been able to compete more aggressively for new funds, because of their "captive balances" of low cost ordinary shares. However, the proportion of low cost share accounts is falling steadily. Ten years ago, it was around 90 per cent of the balances of many societies. Today it is probably under 20 per cent.

Large societies currently offer savers around 4 per cent on share accounts. This rises to around 6 to 6.5 per cent on high interest access accounts, and around 7.25 per cent for the best 90-day accounts. These rates are fractionally above those of the clearing banks. Smaller societies sometimes offer very much higher rates, climbing towards 10 per cent on 90-day deposits.

Such variety has been made possible by deregulation. Until October 1983, rates were fixed by the Building Societies Association. This role ended in April 1986, with the dropping of recommended rates.

Competition on the retail side is only part of the story. The banks and the mortgage corporations rely largely on wholesale funding, to which building societies have restricted access, though it has been increased by the Schedule 8 Review

Net receipts: 1987 (£m)

	Building societies	Unit trusts
January	446	692
February	472	399
March	547	635
April	727	40
May	521	403
June	556	791
July	347	1,134
August	667	889
September	197	1,159
October	812	247
November	1,126	-13
December	1,069	155

Source: BSA, UTA

announced in January.

This gives societies an interest in seeing that their retail *costs are as close to wholesale* ones as possible, or – very occasionally – even lower. When the banks' base rate went up on January 21, the societies felt able to keep their lending rates down, because of the inflow of savings since October. If deposits now start to flow back strongly towards the banks' deposit accounts, the societies might have to adjust their saving rates upwards.

The societies tend to assume that this will not happen, in the short run at least, because the real squeeze on them over the last few years came less from the banks than from the Government's privatisation operations. In this respect, too, things look brighter in 1988 because, apart from the final tranche of British Gas shares, no more major privatisations loom. Unit trust sales, too, have slackened.

This has posed problems for societies that had started their own equity schemes to take advantage of the stock market boom. The Skipton, for instance, launched a unit trust scheme just two months before the crash, and says it has not had any complaints. The Bradford & Bingley says its equity scheme continues on the market but has been largely inactive since October.

Even so, many societies remain interested in offering stock market investment services, and the Schedule 8 Review allows them to buy a stake in a stockbroker. Though market-making activities are still banned, building societies can now engage in portfolio management and nominee activity for individuals.

Richard Hatt, assistant general manager of the Cheltenham & Gloucester says his society wants to have stock market options available, so that investors can switch from traditional accounts into stocks and shares if a bull market gets under way.

This is not a route all societies are willing to take. Apart from the now obvious risks of equity investment and unit trusts, stock market operations require societies to spend money in an area a long way from their mainstream business and where many of them lack expertise. So they are going to have to woo customers to keep their funds with them by offering ever more services, and hope they can establish long-term relationships that will lead to cross-selling of contractual savings services such as pensions and insurance.

Here again, however, societies run up against the need to spend money on developing competitive pensions and insurance services, and to make strategic and often costly decisions about whether to become independent intermediaries or tied brokers.

"The danger," says Tim Melville Ross, chief executive of the Nationwide Anglia, "is that there will be internecine war between the societies, and that they will allow the cost of savings to be bidded up to an uneconomic level."

Most customers have now been encouraged to expect banking-style services with their deposits, including ATMS, cheque books, direct debit, and *other facilities. The cost of* these operations is giving large societies as well as small ones pause for thought, and most have been unwilling to follow Abbey National and Nationwide Anglia very far. Instead, most have offered preferential rates to customers with balances over a certain value.

This suits some smaller societies with well-established niches at the upper end of the market, where wealthy customers expect nothing more than a relatively high return for their money. The more broadly based societies, however, have approached a point where they will never again rely exclusively on retail funding, and treasury operations in the wholesale market are growing steadily more important to them.

Personal loans

From previous page

merely charges a commission on lending to its customers by Chartered Trust.

Despite the Commission's caution in spelling out the limits to building society involvement in the personal loans market, most societies seem to feel that their business is relatively risk-free, because of their use of modern credit scoring systems. Most rely on these and on credit reference agencies more than they do on the traditional interview with a branch manager.

Annualised percentage rates (APRs) vary between 16 per cent, for secured loans, and 18 to 23 per cent for unsecured ones. This can still make them cheaper than credit cards. The Leeds will offer an APR 2 per cent below its APR of 23.9 per cent for customers with houses who have been 12 months with the society and who borrow more than £1,500. It also offers optional insurance protection against sickness, accident, sudden death and unemployment, the four most common causes of default.

Meanwhile, the Leeds sees its Visa card as an attempt to diversify into fields reserved until now for the clearing banks. Its choice of Visa, rather than Access, raised some eyebrows, since its chief executive, Mr Mike Blackburn, came from Access.

What tipped the scales in Visa's favour seems to have been, first, the greater ease with which it can bear the brandmark of its issuer (60 per cent of the Access card is taken up with the Access logo); and second, the club nature of the Visa organisation. The Joint Credit Card Company (JCCC), which operates Access, is a limited company, with shareholdings that have to be reassigned when a new member joins. Visa's international acceptability, less complicated than the Mastercharge/Eurocard network may also have played a role.

One snag is that Visa already has a network of 9.5mcardholders. Leeds hopes it will be able to find customers who are not already cardholders, though it also hopes that some of its savers will consider switching from Barclaycard. However, though its APR may be somewhat lower than Barclaycard's, it believes the market is not very sensitive to minor differences of interest rate.

The inescapable impression is that Leeds hopes its Visa card will bring it some perceived parity with the clearing banks and credit card organisations. It expects that, towards the end of the year, it will be followed by other societies, again mostly following the Visa route rather than Access.

Applications have to be made first to the Visa Organisation, which has stipulated that they must have secured the endorsement of their annual general meetings. Then the approval of the Building Societies Commission must be obtained. The season for AGMs gets under way at the end of April, so it looks as if the Leeds Permanent will not be quickly rivalled by another society.

Most of the major societies have used cards enabling customers to draw money from ATMs (automated teller machines) for some years. They have been slower to move down the credit card path, suspecting that it is already close to saturation. Customers are unlikely to want a building society's Visa card if they already have one issued by someone else, the argument runs.

Against this, credit cards offer the chance to diversify into related services, such as debit cards and travellers' cheques. The societies are eyeing the debit card with great interest. Though some, notably the Abbey and Nationwide, have urged customers to take out cheque books and encouraged paper-based transmission, others, such as the Halifax, are reluctant in what they suspect will be an expensive and unrewarding activity.

A combination of credit and debit cards will eventually, they hope, enable them to sidestep the need to issue expensive paper-based transmission systems.

David Barchard

The mortgage market

Why the rich matter

BRITAIN'S MORTGAGE market used to be a sedate preserve, where a single product was on offer to established customers. Competition has brought a heady proliferation both of types of on offer and of the institutions offering them.

This year has even seen the first "winter sale" of mortgages, with the Bristol & West announcing that it would cut its rates by ¾ per cent on all new mortgages taken out for a month.

Meanwhile, the Woolwich had announced its first mortgage aimed at upper income groups. If you are borrowing more than £60,000 on an endowment or pension-linked mortgage and are putting in at least 25 per cent of the building's value in equity, you are entitled to a Premier Mortgage, bearing interest of 9.95 per cent, compared with Woolwich's standard rate of 10.2 per cent.

Standardisation has gone as societies and the other institutions, such as banks and mortgage companies, woo different segments of the market. Though a sudden increase in liquidity, caused by the unforeseen inflow of savings since the stock market crash, is given as the reason for the "winter sale", societies have to face a future in which they will never again have the mortgage markets to themselves.

Their immediate concern is to regain market share *vis a vis* the other institutions. In the short term, the post-crash scene offers a reasonable prospect of achieving this. For 1987 was a thoroughly bad year for the societies as far as the mortgage market was concerned. In 1986 business had been buoyant and they issued £19.0bn – £5.7bn more than in 1985 – even though their market share slipped from 77 per cent to 71 per cent.

In 1987, the market grew by 11 per cent to £29bn, but the growth went mostly to the new players in the market. Though the societies issued more than £35bn of mortgages, their lending was 3 per cent down on 1986.

Worse still, the year saw their share of their traditional business dipping to 46 per cent per cent in the third quarter. Though this is not the first time that their share of lending has dropped (there were fluctuations in the 1970s) and the signs are that their market share increased during the final quarter, bringing it to 54 per cent for the year as a whole, it was still unnerving.

Big societies, led by the Halifax, tried to take their rates down even before the crash had created a favourable funding environment. For several months, the societies had to live with uncomfortably narrow margins between their average cost of funds and their mortgage rates. This was grist to the mill of those who predicted that building societies would not be able to survive the pressures of competition for long.

Advantage seemed to have passed to institutions like banks and the mortgage lending companies, which relied on wholesale funds at costs well below the retail funds on which the societies mainly had to rely.

Hence the provision of the 1986 Act, limiting the proportion of their funds that societies could raise from wholesale sources to 20 per cent, was bitterly resented, even though most societies seem to have been some way below it. Wholesale funding currently accounts for about 11 per cent of the Halifax's funding, for instance.

Early this year, the review of Schedule 8 allowed societies to raise up to 40 per cent of their funds from retail sources. By then, however, conditions had changed, and many societies now hope that, with wholesale costs rising faster than retail ones, life should get tougher for their new competitors and easier for them.

Opinions differ over whether the average cost of wholesale funding has actually overtaken that of retail sources. The entry of the societies into the wholesale market is one of the forces driving up prices, as Terry Caroli, of the National & Provincial, points out.

"The cost of wholesale funds is edging upwards because of the relative surplus of issues by the building societies and higher base rates," he says. "The market was quite saturated before the 40 per cent new limit was announced. Mortgages are becoming more competitive as the retail funds flow has surged since the crash. In this new situation the mortgage corporations don't have the branch structure and other things needed to diversify in the way building societies can."

Still, the societies are only too aware that new players – usually foreign banks – are continuing to appear in the markets. There is therefore increasing discussion of new types of mortgage products.

"I think we can expect to see a whole new range of products coming out," says the chief executive of the Nationwide Anglia, Mr Tim Melville Ross. "I think we shall see Libor-linked, fixed rate, equity linked mortgages appearing ont he market. As in the US, British customers will start to look for a more diverse range of products, tailor-made to specific needs."

Such ideas go well with the increased interest in market niches and segmentation among the larger societies of the second rank. Among smaller societies, the Skipton actually managed to increase the volume of new mortgages last year, chiefly because of its appeal to up-market buyers.

For the largest societies, however, the idea of pursuing high quality buyers with cheaper mortgages is more sensitive. "Competing with the mortgage corporations would force up the mortgage base rate," says Mr David Gilchrist, at the Halifax. "Charging 9.9 per cent to high quality buyers might mean charging others 11.25 per cent. It would be socially and politically unpopular." He believes, however, that the single mortgage rate is on the way out.

Preferential rates for richer borrowers may be unpopular, but they are probably the only way that the building societies can claw back the better mortages which are at present being creamed off by the mortgage corporations and the banks, and forcing them to concentrate on risky business at the lower end of the market.

Higher mortages mean lower costs, for it is cheaper to process one £60,000 mortgage than six £10,000 mortgages. At present, the average advance by a building society is about £30,000, while that of some of the new lenders is over £50,000.

The search for the lucrative upper end of the market is likely to lead societies farther away from the principles of their founders in the mutual movement. This year, however, they will probably be satisfied if they can pick up a steady market share of 60 per cent.

David Barchard

Shares of net new lending (%)

	Building societies	Banks	Local authorities	other
1977	96.2	2.8	0.8	0.2
78	93.9	5.0	0.1	1.0
79	80.9	9.0	6.5	3.6
80	77.6	6.8	10.8	4.8
81	66.7	23.9	6.6	2.8
82	57.6	35.9	6.4	0.1
83	75.2	24.4	-2.0	2.4
84	85.3	12.0	-1.4	4.1
85	75.8	22.2	-2.3	3.3
86	72.7	18.1	-1.7	10.9
1987 Q1	65.6	22.4	-1.9	13.9
Q2	53.3	34.3	-1.2	13.6
Q3	46.3	38.5	-1.3	16.5

Source: CSO Financial Statistics

Societies can derive much more than the sale of houses from estate agency

The golden key to other services

THE INK was hardly dry on the 1986 Building Societies Act before the three biggest societies had begun to buy up estate agencies.

Between them, the Halifax, Abbey National and Nationwide Anglia now control nearly 800 branches, and intend to acquire more than twice this total in the next few years.

Half of the top 20 societies now have estate agency networks of varying sizes; and regional societies, including the Norwich & Peterborough, and the Cardiff-based Principality have also followed suit.

Part of the attraction of estate agencies for profit-hungry building societies is the money to be made from selling houses - a market currently estimated at £1.3bn a year, and set to grow as house prices continue to rise. (Estimates for 1988 range from 12 per cent to 16 per cent for the country as a whole).

But much more important, from the building societies' point of view, is the estate agent's role as the "golden key" to property-related financial services. Current marketing wisdom perceives the estate agency branch as the house-buyer's first port of call, and therefore as the point where buyers are most susceptible to being sold a whole range of products and services.

Building societies are not alone in this analysis. Lloyds Bank spotted the potential as far back as 1982, when it launched the Black Horse chain; and since then the Prudential, Royal Life, General Accident and Hambro have all built up large estate agency chains.

But in the last two years the need to get "first bite" at the customer has become acute for building societies, who have seen their share of the mortgage market eroded to less than 50 per cent by insurance companies and specialist lenders. Customers are, of course, not obliged to get their mortgage from the parent building society when they buy a house, but inevitably, many are happy to take the convenient option. Selling insurance through estate agencies is also an important plank of building societies' strategy. Nationwide Anglia, for example, estimates that currently about 4 per cent of an estate agency branch income is from insurance: they hope to boost this to 40 per cent.

Most of the insurance sold through estate agencies is mortgage-related – life policies for endowments, mortgage protection policies, buildings and contents cover, and so on.

The Abbey National recently introduced two innovations with its "anti-gazumping" policy and a home repairs and maintenance package. But there is no reason why estate agencies should not be the conduits for the societies' other ventures into general insurance – private health, for example, or motor, or legal expenses cover.

Estate agencies owned by the Halifax and Nationwide Anglia will be independent intermediaries under the Financial Services Act, offering "best advice" and a full range of life assurance products. Abbey National agents, like their parent, will be company representatives of Friends' Provident.

Most societies in the estate agency field have built up networks by outright acquisition, and it has not been cheap. Competition among the financial giants for the best firms of agents quickly pushed up prices: many a country mansion has been bought by former senior partners who sold to the highest bidder.

Reluctance to pay over the odds, plus a conviction that they could do the job better themselves, has prompted some societies to set up agencies from scratch. The Yorkshire, for example, opted for this route following market research which showed that potential customers were dissatisfied with estate agents' services and would more readily approach a building society.

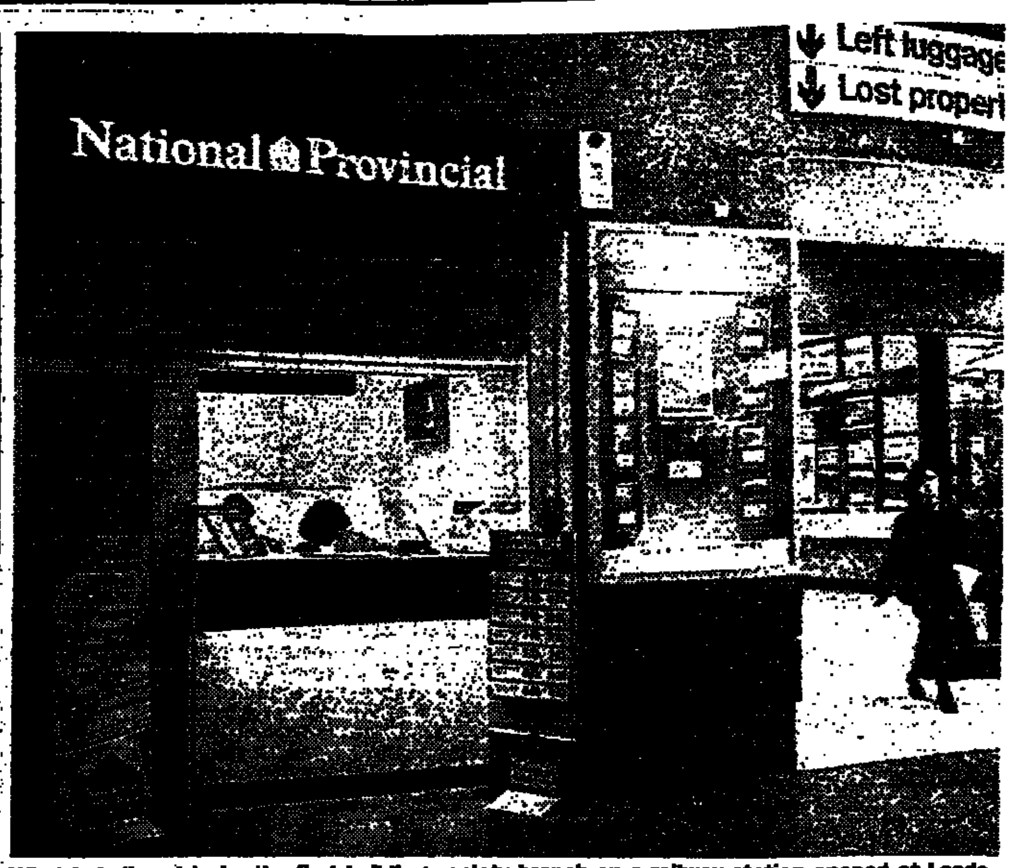
The Woolwich and Norwich & Peterborough both decided that do-it-yourself was more cost-effective: the Norwich & Peterborough expected to spend £100,000 on fitting out two branches (not including staff costs).

The Abbey National has built up a "core" of wholly owned agencies, but intends to recruit up to 800 independent agents as franchisees using the "Cornerstone" trade name. Announcing the plans, chief executive Peter Birch said one buyer was rumoured to have paid £10m for a firm with assets of £500,000 – prices like that made franchising a much more cost-effective route.

Apart from making money out of estate agency, building societies have also expressed their intention to improve the public perception of estate agents by improving service and training of staff, rebranding and generally imbuing estate agencies with some building society clout.

So far, however, none of the societies with national chains has attempted to bring commission levels, which vary widely across the country, into line. But as more and more agencies are acquired and competition in the mortgage and insurance market hots up, a "commission war" may yet be the result. That will be to the customer's benefit, but will make some societies' investment look even more costly.

Christine Whelan
Family Wealth



What is believed to be the first building society branch on a railway station opened at Leeds – fortuitously, in the month of the stock market crash, as investors returned to the societies

Money transmission

Cashless shopping delayed

Peter Morrill: "we want to be in on eftpos"

BRITAIN'S BUILDING societies were quick to follow the clearing banks down the automated teller machine (ATM) trail. The Halifax alone now has 700 operational machines.

Link, a consortium of building societies and other financial services companies, shares 983 across the country, while the UK's other ATM-sharing consortium, Matrix, has 617 installed.

ATMs are a first step to a whole range of electronic financial services based on on-line transaction processing computer systems, so it is not surprising that the societies want to play a full part in electronic funds transfer at the point of sale (eftpos) or "cashless shopping".

In simplest terms, a plastic, magnetically striped bank card substitutes for cash or cheques in an eftpos system. Swiped through a card reader at the cash till and validated by means of a four-figure personal identification number (PIN), it initiates a series of electronic messages between the retailer, the card issuer's computer centre and the retailer's bank. This results in the transaction's being approved, the customer's account debited, and the retailer's account credited, all in a twinkle.

There are, broadly speaking, advantages to banks in massively reduced paperwork; to retailers in secure payments; and to customers in convenience. Yet eftpos has been slow to take off, first because of quibbles over who should pay the considerable cost of the equipment, more recently because of the growth of credit-based services.

A national system now in preparation, under the auspices of EftPos UK, an organisation jointly sponsored by major financial institutions in the UK, is not likely to begin its inaugural service until early next year.

The Halifax, the Abbey National and the Nationwide Anglia have been accepted as members of EftPos UK under rules defined by the Association of Payments and Clearing Services (APACS), and are taking part in the inaugural service.

The Matrix organisation, which includes Bradford & Bingley, Leeds Permanent and the Woolwich, has applied to join APACS but been turned down under an interpretation of the rules relating to group membership, a decision it finds a tiresome constraint.

"Eftpos is something that we very much want to be in on," says Mr Peter Morrill, projects manager for Electronic Funds Sharing, which operates the Matrix network. Now it is looking for a retailer with which it can mount a go-it-alone experiment.

The Link consortium, meanwhile, has followed the example of UK clearing banks and mounted its own eftpos trial to gain hands-on experience of cashless shopping. Last October it announced a development with British Petroleum, involving the use of Link cards as a substitute for cash, cheques and credit cards at 26 garages around the M25. Customers can use their cards to buy petrol and goods, or to draw cash.

Mr Rob Farbrother, chief executive of Funds Transfer Sharing, a major element in the Link consortium, believes it has learned several important lessons in the few months the eftpos service has been operational:

□ Link had to come to a new understanding of what makes retailers tick. "My God, there is a culture gap between bankers and retailers," he says, pointing out that he quickly came to the conclusion that retailers knew their customers and their sales potential "down to the last half inch of shelf space" and bankers did not.

□ There was a powerful need to provide a mechanism by which customers could draw cash through the eftpos system. "We have not got to cashless shopping yet."

□ "Eftpos will not be bought; it has to be sold," Mr Farbrother said, meaning that both the retailer and the financial institution had to make an effort to promote the new facility and encourage people to use it.

High-quality leaflets explaining the system were available in the garages, and had been sent to their customers by Link members.

Staff in the garages had to have incentives to meet targets for the use of eftpos. This takes the form of special rewards such as free holidays or cash in hand. There was a strong need for staff training to eliminate "technofear", and to ensure they made the most of the system. Mr Farbrother says the staff are now undergoing a series of refresher courses.

Unlike the major credit card companies, which charge a commission of around 2 per cent on each transaction, the Link experiment charges retailers a fixed fee, "a few pence." Mr Farbrother says: "This is a tremendous incentive for a petrol station to promote our debit service rather than credit."

Retailers found their accounts were settled more rapidly through eftpos than credit card systems, says Mr Farbrother. In some cases it could be a soon as noon the day after the transaction.

The Link consortium has also established eftpos facilities in a couple of Sainsbury's stores, a development sponsored by National Girobank. It is now considering installing machines in stores to issue "scrips", vouchers which can be used to buy goods, any difference in value being returned as change.

Building societies at present do not issue credit cards (although some are talking to the credit card companies) but few doubt that is to come.

Financial services companies' concept of eftpos has changed radically over the past few years, from a narrowly focused, technically complex system, designed chiefly to save money, to a broad payment mechanism encompassing debit and credit.

The national eftpos scheme plans an inaugural service of some 2,000 terminals in three cities by 1989. By the end of this year, Barclaycard and Access alone should have 20,000 shared terminals in place. National eftpos is expected to set the all-important transaction standards and provide central clearing facilities, but nobody, banks nor building societies, is waiting for it to set the pace.

Alan Cane

Stockbroking and pensions

Making haste slowly

THE 1986 Building Societies Act opened the way for societies to offer equity-type investments to customers.

Schedule 8 of the Act, now under discussion, will, when implemented, greatly extend the areas in which societies can operate – effectively enabling them to compete with other financial institutions.

Currently they can offer a simple buy/sell equity service, PEPs and broke any form of life assurance and unit trust products.

The Cheltenham & Gloucester has been active in developing a share dealing service in conjunction with stockbroker and market maker Barclays de Zoete Wedd (BZW). The walk-in service is at the pilot stage through 10 branches, though the intention is to have it operating in all 600-odd branches by April.

About eight societies offer Personal Equity Plans to customers, but most rely on marketing the PEPs managed by other financial institutions. The Bradford & Bingley is one which has its own-brand PEP, though it is managed outside. Abbey National, the first society in this field, has temporarily withdrawn its PEP in expectation of changes in the Budget.

The Government review of Schedule 8 of the Act will result in widespread radical changes to the societies' activities.

□ Societies will be able to give a full equity advice and dealing stockbroking service. They will also be able to offer portfolio management services and tax and financial planning services to customers.

□ They will be able to own life assurance and unit trust companies, a move that could have severe implications for those life companies that rely heavily on building societies for much of their business.

□ However, they will not be allowed to become market makers.

A few societies offer Personal Equity Plans

It is expected that these changes will become operational in June or July.

The implications are tremendous for the whole of the retail financial services market, but since discussions are still taking place the societies are keeping their cards very close to their chests.

All the major societies are enthusiastic about these wider areas of operation. Given their extensive client base and their High Street branch network, they have the potential to become major forces in the retail fund management sector.

However, such developments will require a major outlay of resources in both capital and manpower. The other developments are already imposing some strain, particularly with regard to training staff in the new fields.

The impression given by the major societies is that they want to make haste slowly in this development. They feel that they need to get their share dealing operations running smoothly and regarded by customers as an integral part of the services before they move into investment advice and share dealing services.

What about the smaller societies? They are not leaping into equity investment. Their resources impose real constraints on their development. Staff training is vital, and it is not easy to train counter staff to be experts in all disciplines.

The development of building societies into equity investment fields will be watched with interest both inside and outside the industry. The October stock market crash has brought investors rushing back into the deposit-type savings field. It has reminded societies that they must not develop the new services at the expense of their bread-and-butter business.

Finally, another piece of legislation, the 1986 Social Security Act, opens up a new field to building societies – the personal pension market.

Under the terms of this Act, life companies lose their virtual monopoly in the field of individual pensions. Now banks, units trusts and building societies will be able to market the new-style personal pensions when they become available from July 1.

The purpose of this change was to give employees and the self-employed wider choice in their pension arrangements. However, the societies are not falling over themselves to offer this choice to individuals, even though all surveys show that building societies stand high in the esteem of the public.

The major societies claim to be interested in this field, but are hamstrung by the polarisation requirements of the financial services legislation. If they market their own-brand equity style personal pension, they cannot market any other life, pensions or unit trust product.

The societies can sell their own deposit-based personal pension, since this is not classified as an investment. But the general consensus is that individuals should not put all their pension contributions into a deposit based investment. And experience of societies with additional voluntary contribution (AVC) schemes is that *margins are extremely thin in a* very competitive field.

The problem for building societies is that this new market has come at a time when they are fully occupied dealing with the wider powers of their own Act. Pensions need expert investment, their own brand of marketing and their own style of expert administration – both of which take time to develop.

The Building Societies Association has set up a scheme for members whereby they can consult R.Watson & Son, the UK's largest firm of consulting actuaries, on personal pensions. However, certain societies, such as the Alliance & Leicester, are consulting R.Watson on an individual basis. These are looking very closely at the personal pensions market.

It could be a year or two before even the major societies are offering their own personal pension plan, tied with their other developments in the equity field.

This delay may be no bad thing. No one yet has any idea how the personal pensions market will develop or how profitable it will be. Until they have, societies will act as intermediaries, selling life company personal pension plans to customers, with perhaps a development of a mixed equity/deposit plan with the society providing the deposit part of *the package.*

Eric Short

Funding: UK societies aren't keen on the secondary "securitised" market, which is still in its infancy

No point in helping your competitors

IN JANUARY last year, the National Home Loans Corporation bundled together some 1,250 mortgages worth a total of £50m, repackaged them as bonds, and then sold them on to investors.

As the UK's first issue of sterling denominated mortgage-backed bonds, this was expected to usher in a new world of financial sophistication for building societies as well as their more recently established competitors. But not a single building society has followed the precedent.

The secondary, so-called "securitised", market is still very much in its infancy. Since NHLC made its pioneering move, there have been 11 issues in total, worth £1.3bn – less than 1 per cent of the mortgage market. In the US, by contrast, more than half the loans in a market worth several thousand billion dollars are securitised.

The difference is not simply attributable to the relative adventurousness of the US financier, but is a direct consequence of government regulations which require banking institutions to operate within state boundaries. Ingenious devices had to be invented to transfer capital assets from surplus states to those where demand for finance outstripped supply.

Such constraints do not, and never will, apply in the UK, where the secondary market has been driven by the requirements of the mortgage companies which have sprung up in recent years to take advantage of the deregulation of the home loans industry. Without access to the individual saver – the mainstay of the UK's 140 societies – the companies have been obliged to tap wholesale markets, and to explore methods of off-balance sheet financing.

NHLC's first issue furnished evidence that the technical difficulties of putting up a mortgage-backed security were not insurmountable. A three-tier insurance package provided investors with protection against discrepancies between the interest payable on the mortgages and the rate payable on the bond – thus securing a Triple-A rating from Standard & Poor's, the US rating agency.

Also, NHLC showed how the loans could be transferred from its balance sheet into a new company which issued the bonds and assumed legal ownership of the portfolio of endowment mortgages. NHLC retained administrative responsibilities, and generated fees for doing so – but had freed up £50m of capital on the back of which further loans could be made.

At the time, it was thought that building societies would be eager to adopt similar techniques, to boost their own capital in advance of liberalisation under the 1986 Building Societies Act. By originating mortgages, and then selling them, societies could reduce their capital requirements by taking home loans off their balance sheets.

In the US, more than half the loans are securitised

Furthermore, sharpened competition for savers' funds had pushed up the cost of retail finance to the extent that societies' requirement for funds from the wholesale market seemed likely, in many cases, to broach the 20 per cent ceiling then in force.

However, circumstances have changed. Societies are now allowed to finance up to 40 per cent of their lending needs from the wholesale markets – and subordinated debt now counts as primary capital. Subsequent to October's stock market crash, competition for savers' cash has naturally diminished with the influx of monies from those disillusioned with equities: there is no longer a need to choose between cutting lending and selling loans.

These factors have tended to reinforce the societies' natural circumspection – after all, why lend assistance to competitors by helping the secondary market to get off the ground?

Another problem is administrative: if it costs the Halifax £1m to circularise its borrowers whenever interest rates change, the cost of obtaining the borrower's consent for the sale of his mortgage would be exorbitant. And as such consent must be obtained, it is only a practical proposition to sell new mortgages.

Mr Mark Boleat, Director-General of the Building Societies Association, sees a need for off-balance sheet financing, but not for securitisation.

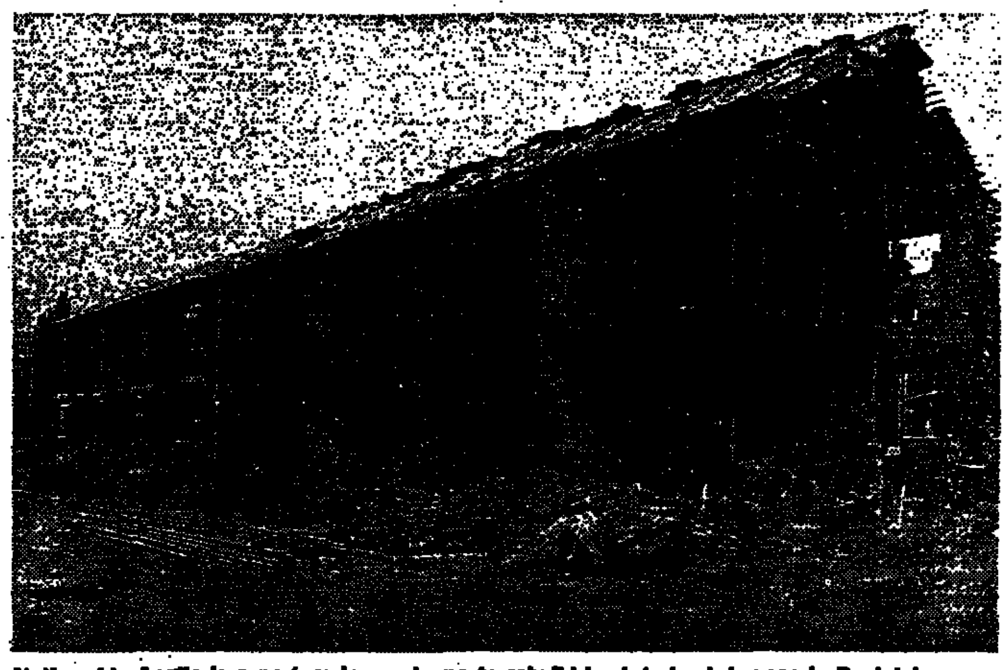
"Building societies are actively looking for ways of originating loans on to the balance sheets of other financial institutions, banks for example," he says. "This lacks the political and journalistic sex-appeal of securitisation, and yet serves exactly the same purpose – to get the debt off your balance sheet. It is far less costly."

Those societies most likely to avail themselves of this technique are the medium sized ones, of which the Skipton, with assets of around £1bn, is typical. Mr Terry Adams, its chief executive, confirms that his company is in the final stages of negotiating to sell loans on behalf of a consortium of foreign banks.

The banks will furnish the cash, while the Skipton drums up the business through its retail network – taking an introductory fee (¾ per cent of the value of the mortgage) and charging for the administration of the loan subsequently. There is no need, Mr Adams contends, to parcel the loans off as well: the banks secure top quality assets, while the society secures an income stream without stretching its capital base.

The bigger building societies do not have an urgent need to gear up beyond the capacities of their balance sheets, and are unlikely to avail themselves of this type of financing. Especially since it would mean ceding territory to foreign banks.

David Waller



Nationwide Anglia is a partner in a scheme to rebuild back-to-back houses in Rochdale

Housing

Specialist schemes for the inner cities

NATIONWIDE ANGLIA, within a week of the Government's publishing the Housing Bill last November, had announced plans to invest £600m in private rented housing over the next five years.

The money will be loaned as mortgages to Quality Street, a joint venture property company that the building society has established with four former officials of Glasgow District Council housing management department.

The move, despite coming so close on the heels of the Bill's publication, was just the latest in a series of schemes by leading building societies to invest in inner city and other specialist housing schemes.

Halifax, Britain's biggest building society, for example, now has an annual budget of £300m a year for investment in a wide range of specialist housing needs.

One of the latest schemes to be assisted by the society is the Chandlers, in Leeds city centre, an £8.3m project developed in association with the Regent Housing Society, Leeds City Council, the Environment Department and English Heritage. It will provide homes for sale and to let, for single people.

Halifax and Nationwide have also joined Y.J.Lovell, the construction company, to form Partnership Renewal of the Built Environment (Probe), an agency designed to foster joint action in inner cities with local authorities.

The largest proportion of the specialist budget provided by the Halifax goes to support projects by housing associations, which blend private sector finance with public sector grants. This produces a mix of homes, for the poor, the disadvantaged, the elderly who no longer wish to own their own home and need sheltered accommodation, and other people who cannot secure the home they are looking for from cash-strapped local authorities.

It is this kind of mixed financing that the Government is seeking to encourage in the Housing Bill, which proposes to deregulate new lettings and permit rents to rise high enough to allow private investors a satisfactory return on their money.

The Government's intention is that at least half of an association's funds should in future come from the private sector, although this ratio may vary for individual schemes. This should mean an increase in partnership schemes involving building societies covering a variety of tenures from shared ownership to straightforward rented schemes.

Most will involve some form of low-cost/low-start, or index-linked, mortgages, designed to keep monthly repayments as low as possible during the early life of the loan so that rents are kept to a minimum.

Mortgage repayments by housing associations will continue to be subsidised by grants administered by the Housing Corporation, although the proportion of subsidy to private finance will be expected to rise, which will push rents up.

The Government insists that housing benefit will be available to help people who cannot afford to pay higher rents that will come as a result from its measures.

Housing associations are more doubtful. They are concerned about people whose incomes are just above the threshold that qualifies for housing benefit, or who are eligible for only a small entitlement.

Some of these people could find themselves spending up to 40 per cent of their net income on the kind of rents that associations will have to charge to ensure that returns are high enough to repay private sector investors, says the National Federation of Housing Associations.

Nationwide, by investing in Quality Street, is adopting a more direct route into rented housing. It will require it to provide a much wider range of properties than has been provided in the past through urban regeneration and specialist housing schemes in partnership with housing associations and local authorities.

The society has taken a 25 per cent stake in Quality Street, which proposes to own and manage in its own right 40,000 homes by 1992 – accounting for about 5 per cent of all lettings in Glasgow, Edinburgh, Dundee, Liverpool and Newcastle, and about 1 per cent of all London lettings.

The new company, to be headed by Mr Paul Mugnaioni, former director of housing for Glasgow District Council, proposes to operate in all areas of the private rented market, from luxury flats to joint schemes with local authorities and housing associations, to provide homes for people unable to afford to buy their own.

Target markets include quality family homes, to be let to people moving to jobs in different parts of the country, students, young people setting up home for the first time, the elderly and separated and divorced people.

The difficulty the society faces, if it is to make an impact on providing housing for the poor and disadvantaged, is how to generate sufficient returns to cover the cost of investment in a market defined by its inability to pay market rents and purchase prices.

At a housing conference, Paul Mugnaioni argued that providers of what is now euphemistically dubbed "social housing" will need some form of tax assistance, or state aid, to offset the advantage that investors in homes for sale have in mortgage tax relief.

The concern is that some of those near the bottom of the economic pile could find themselves worse, rather than better, off, despite the prospect of raising more investment for rented housing and government promises that housing benefit will meet the higher cost of increased rents.

Andrew Taylor

Technology

Ahead of the game in the back office

FINANCIAL INSTITUTIONS worldwide share similar challenges in implementing new technology, and Britain's building societies are no exception.

Since 1986 and the passing of the Building Societies Act, which significantly increased their freedom to tackle markets like estate agency and insurance, they have had to come to terms with new challenges and opportunities, which have placed a heavy burden on existing data processing systems – their "back office".

As Mr Bob Humphreys, assistant general manager of Leeds Permanent, puts it: "Technology is very important to us, especially in competition with the banks. The institution that will come out ahead will be the one that has the most cost effective and easily developed systems."

Ease of development is a critical issue in major computing systems. A back-office system for a major building society running on a mainframe computer will consist of thousands of lines of computer code. The systems that banks and building societies are using today were chiefly written in the 1970s, and frequently lack the ease of modification and alteration enjoyed by more recent software.

What all financial institutions agree is that their markets in the future will be characterised by increased volatility and competition. To stay ahead of the game, it will be necessary to develop and introduce new products, in the same way that, say, motor manufacturers are reducing their product cycles.

Companies with up-to-date data processing systems will be much better equipped for fast changes than those with systems embedded in the architectures of the past. That is why the Woolwich, for example, has spent a small fortune with Hogan, a US-based supplier of financial systems, to rebuild its systems from scratch – a process that has taken longer and caused more problems than expected.

Many think that the most critical task, for both banks and building societies, is to move from systems design based around account numbers to a design based around customer identity. "Customer information is certainly the flavour of the month" agrees Mr Howard Aitken, of the ATM-sharing Electronic Funds Transfer organisation.

The fact is that many building societies have no idea how many customers they have, although they know their total number of accounts. At a trivial but commonly experienced level, a customer with six accounts gets six invitations to the AGM.

It is all part of the argument that better marketing and selling is crucially dependent on knowing the customer better.

At present, most institutions do not have the capability to display all the accounts held by any one of their customers, private or corporate, together with marketing information which could be used for cross-selling.

Indeed, Mr Humphreys, at the Leeds Permanent, believes his is the first UK society to launch an on-line customer information service which essentially answers this requirement. It enables, the society says, cashiers to get a complete up-to-date picture of a customer's account from a single screen enquiry at the counter.

Many societies have no idea how many customers they have

It helps in cross-selling and in giving financial advice and guidance.

It seems likely that societies will move quickly towards advanced data processing techniques, such as fourth generation language, programs which write programs, as they bring their vital systems up to date.

A second major trend is the move to put more computer intelligence at the elbows of branch staff. Since the societies went through their first stage of counter automation several years ago, the personal computer has advanced in power and capability beyond all recognition. Now – generally in the shape of the IBM personal computer or its clones – it has become the *de facto* workstation for a worldwide financial services industry.

The societies still have to learn how to make the best use of the personal computer, but they have ambitious plans. Abbey National, for example, recently agreed to buy Olivetti minicomputers and personal computers to a total value of over £20m for the next phase in its branch automation process. Olivetti, Europe's most successful personal computer manufacturer, has won a high percentage of recent orders for office automation equipment from the building societies.

The Leeds Permanent, for example, traditionally a staunch user of IBM mainframe equipment, is using Olivetti personal computers as the basis of its new back-office mortgage processing system. It has developed what it believes to be a leading edge in methods of linking the PCs to its mainframe. The pay-off will come in the new ease with which lending options can be presented – on a computer screen – to a potential customer.

At Abbey National, they plan to use their personal computers to help managers offer consistent financial advice across the company. If they fail to do so, these days, they will fall foul of the Financial Services Act.

The societies are also preparing to take on the banks in their traditional heartland, cheques and cheque clearing. The Halifax and Abbey National have already successfully applied to become clearing members of the Association for Payments and Clearing Services.

For Abbey National, Mr Ian Allerton, its systems development manager, pointed out, it has meant the installation of expensive reader/sorter machinery, the like of which has hitherto been confined to the data processing centres of the clearing banks. Abbey National has installed the latest models which microfilm cheques as they are sorted and automatically identify doubtful items. But the physical handling of cheques is only one essential in the move to become more like a traditional bank.

Abbey National has had to build, from scratch, a computer system to handle its new current account offering – a substantial development taking some 12 months to complete.

One technology which so far has not found a taker among the building societies is the "smart card", the bank card with a microprocessor and memory embedded in it, giving it the capability to function as an electronic cheque book. Given that the traditional pass-book is, in essence anyway, only a labour-intensive, paper version of the smart card, it would be surprising if it did not find a place in the societies' new armoury of technology.

Alan Cane

WEEKEND FT

SPORT

Tennis/John Barrett

Boris Becker's rebirth begins in earnest

UNDER THE healing desert sun Boris Becker this week set about the recontruction of his fortunes at the $702,500 Newsweek Champions Cup. It was here last year, at the Hyatt Grand Champions resort in Indian Wells, California, where he is the touring professional, that Becker won his first tournament of the year to signal a return to form after his ignominious exit from the Australian Open.

There, Becker had lost more than a tennis match to Australian Wally Masur. He had lost his temper, his self-respect and his coach, Gunther Bosch, who had walked away from him after a disagreement about future coaching requirements. Despite this setback, by any normal standards Becker had a good year in 1987.

True, he had been beaten in the second round at Wimbledon by Peter Doohan. But he won the indoor tournament in Milan and the pre-Wimbledon event at Queen's Club, was a finalist in Cincinnati, a semi-finalist at the French Open and four other tournaments, and finished the year ranked fifth in the world – down three places from his 1986 ranking.

The problem for Boris is that he is never judged by normal standards. Ever since those three glorious weeks back in 1985 when, as an innocent 17-year-old, he had exploded upon an unsuspecting world to win at Queen's Club and then at Wimbledon with a remarkable display of cannonball serving and diving volleys, Becker has been hailed as the saviour of German tennis.

An even more remarkable year in 1986, when he retained his Wimbledon title with a devastating display of power in the final against world champion Ivan Lendl and won five other tournaments, underlined the *wunderkind* image.

The pressures upon Becker have been emormous. As his shrewd manager, Ion Tiriac, has built a huge business empire around his name and image, the demands on Becker's time have been ever greater. Everyone wants a piece of him. The weight of national expectation has been equally daunting. It had reached a peak at the Davis Cup final in Munich in December 1985.

While winning his two singles rubbers against Stefan Edberg and Mats Wilander as the Swedes won 2-1 in Munich, Becker had become alarmed by spectators' behaviour. "As I heard them chanting and looked into their eyes and saw the intensity of their feeling I could understand what had happened to us at Nuremburg all those years ago," he had told a Time reporter. Becker was just one month past his eighteenth birthday when he made that remark.

Despite his undoubted maturity, Becker had to learn some painful lessons in 1987 – lessons that have left him wiser and stronger. Bosch's decision, after their parting, to reveal confidential details about their relationship hurt and surprised him. "Gunther was not my trainer, he was my friend. That was the first time in my life that anything like this had happened to me . . . *that I lost a friend. But I was so* naive and innocent I could not believe he would say so many bad things about me. He hurt my image so much. I felt betrayed."

He had been equally surprised by the worldwide release of a confidential picture taken with the Pope on a visit to the Vatican in December 1986. "There are not many good guys left . . . even in the Church. I went to Rome to meet him (the Pope) and to give him a racket. For me he is a very important man. Then his colleague wanted to take a picture . . . I said OK . . . he told me it was only for the Vatican . . . but it was in every newspaper."

After a short but serious illness in February, and a potentially even more serious knee injury during the second half of the year, Becker has come to appreciate the importance of good health and full fitness. "It was a very difficult year. In February I developed a type of typhus which I had with me for about two months. I lost eight kilos and was flat for three weeks. I had to come back very quickly for our Davis Cup match against Spain."

When he lost the exhausting, decisive match against Sergio Casal in five sets it was regarded as a national disaster at home. "I felt so tired but I had to train hard and then came the French Open which was a highlight for me when I reached the semi-finals."

Becker feels the Wimbledon loss was because of lack of time to readjust to the attacking mentality after some three months on clay. The defeat was a serious blow to his confidence. Then came the second highlight, his two dramatic Davis Cup wins against the United States in Hartford. Becker's 6 hour 20 minute victory over a snarling John McEnroe, who had incited the crowd to a fever pitch of excessive patriotism, was an heroic performance. His tie-winning five set success against Tim Mayotte only slighly less so. "That was my best tennis of the year," he believes.

It was on the hard courts at Washington the following week that these exhausting matches *took their toll. Although he did* not know it at the time he badly strained the patella ligaments of his left knee in the course of losing 3-6, 6-3, 6-0, to Brad Gilbert in the semi-finals. The remainder of the year was a nightmare.

"I was caught in a spiral. Because I was not playing so well I needed to practice, but if I played a lot my knee just got worse so I had to rest – but that meant I needed more practice. At Toronto and Cincinnati I was in a lot of pain and taking five or six painkillers a day. That was not good but I was determined to play the US Open. In the circumstances I did well to reach the quarters there, especially as I could not serve properly. By November I had lost my quads (quadriceps) on the left leg completely. A rest was the only course of action."

When Becker made his return to competition at the Young Masters in Freidrichshafen, the week before the Nabisco Masters, it was apparent that he could not properly thrust off his left leg into his service action. Nor could he cover the court as he used to. It was no surprise that he failed to reach the semi-finals of an event he had won three times in a row.

After a token effort at the Masters in New York it was time to seek further medical advice. Back in Germany he saw Dr Muller Wohlfahrt, a specialist in homeopathic treatment. For two weeks Boris was subjected to four injections per day. "I promise you it did not hurt. If it had done I would have run miles," he recalls.

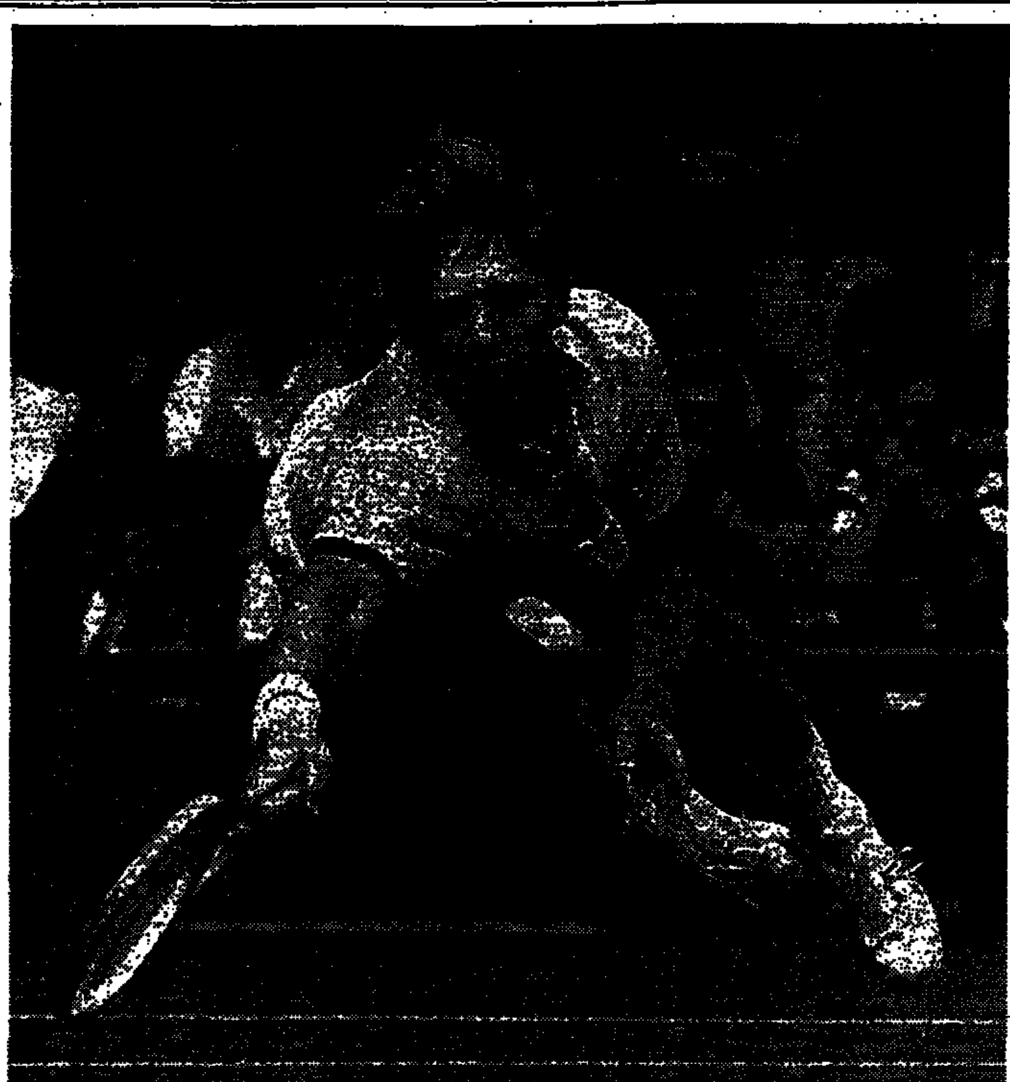
On January 3 Boris started to play again, gently at first, while still subjecting himself to three hours of strengthening exercises per day. "It was during this inactivity and the fierce rebuilding programme for my muscles that I used to go home and look at the two Wimbledon trophies on our bookcase in the sitting room at home. The mere sight of them used to inspire me to work harder. I was also able to put my life in perspective and realised that I very much wanted to play again and become the No.1.

At last it was time to compete again. Two winning exhibition matches against Lendl in Tokyo at the end of January were followed by a live match at the Davis Cup tie against Brazil. "When I beat Motta (6-0, 6-2, 6-0) it was the first time I had played without pain for six months," he said.

In Milan two weeks ago it all began to come together again. He beat Forget, Gustafsson and Leconte before losing in a final set tie-break to Noah, looking a much more complete player. The man now helping him is Bob Brett, a 34-year-old Australian who is a disciple of the greatest motivator I have ever met, the late Harry Hopman.

"Bob is a friend but he also knows the international game. Gunther never coached me – everybody got that wrong – and I had told him towards the end that he could not help me any more. Tiriac was the coach but he could not do everything. I am very happy with Bob, he is a good human being and is not afraid to work hard."

Brett has just the right common sense approach to bring Becker back to life. Seeing Boris here there is still a little rustiness about his matchplay but he is dashing about the court with the same marvellous enthusiasm that made him such a compelling personality in 1985: I believe that, barring any further physical mishaps, Becker will be back among the big titles in 1988.



Becker: still hoping to become No.1

Rugby/John Kitching

Davies reigns

JUST WHEN it seemed that the fun and excitement might be going out of international rugby, this season's Five Nations Championship has come to the rescue. Indeed, the game may be entering a new golden age.

Wales, under the generalship, but not the captaincy, of Jonathan Davies, and France, after a few changes and a stern talking to by coach Jacques Fouroux, suddenly look like the great sides of the mid and late-1970s.

After the ignominy of the England-Wales match at Cardiff last season, the game is undergoing its best public relations exercise in years. As Bleddyn Bowen, Wales's captain, said after his side's victory over the Scots: "The game is the real winner."

The Wales-Scotland match must rank with the New Zealand-Barbarians game of 1973 and the Australia-France match in last year's World Cup as one of the most fluid, see-sawing and vibrantly exciting contests of the last 20 years. The all-running, all-passing Welsh back division is capable of making opposing defences look about as useful as a chocolate fireguard.

There is a characteristic central to this Welsh side: arrogance. Jonathan Davies has it in abundance and has now established himself as one of the great Welsh fly-halves along with Barry John and Phil Bennett. He has the self-assurance to run to ball at every *viable* opportunity. That is precisely what Les Cusworth was not doing for England or Andrew Ker for Scotland.

Today, Davies will be expected to reproduce his splendid form against the beleaguered Irish side at Lansdowne Road. In view of that, one cannot help feeling sorry for Paul Dean, arguably the only other really gifted fly-half in the championship. Today, as against the French, he is likely to find himself playing behind a beaten pack and up against a Welsh back row brimming with confidence.

Welsh flankers Ritchie Collins and Roland Phillips played out of their skins against Scotland (although there's still a strong case for recalling Cardiff's Gareth Roberts, the people's choice). And the Welsh tight five, about whom many doubts were voiced earlier in the season, are scrummaging and mauling better all the time.

Paul Thorburn, the Neath full-back, and also something of a people's choice, was recalled against Scotland to replace the injured Tony Clement. Thorburn's performance resolved the debate: he is capable of siege-gun kicks, but Clement is a faster, cleverer footballer.

At Murrayfield today, England, without a win or a try in the championship, have restored Nigel Melville to the captaincy. Two years ago, it seemed that his career was at an end because of injury; his comeback has been extraordinary, even by the standards of international rugby. There will be much joy in the Yorkshire market town of Otley that its second most famous son (first:Thomas Chippendale) is back.

Equally, it is sad to see the departure (probably for good) of Mike Harrison. His tenacity, spirit and enthusiasm have been much appreciated by his team-mates, but he has not been playing well, and the selectors have turned at last to Chris Oti, the 22-year-old Cambridge blue.

Oti becomes the first coloured player to represent England since Jim "Darkie" Peters of Plymouth, who was Adrian Stoop's outside half in 1906. Anyone who witnessed Oti's two tries against Oxford in December or his four tries from England students against Japan last year knows the speed and power of this superb winger. Rory Underwood switches to right wing after 21 caps on the left to accomodate Oti.

Nigel Melville is in no doubt about the importance of the changes in the England back division. "So far the forwards have done their job by giving the backs enough ball . . . Now we have a reshaped back division with men who like scoring tries in Simon Halliday and Chris Oti," he said.

"We are in the depths and the only thing that matters is getting a couple of wins," he added.

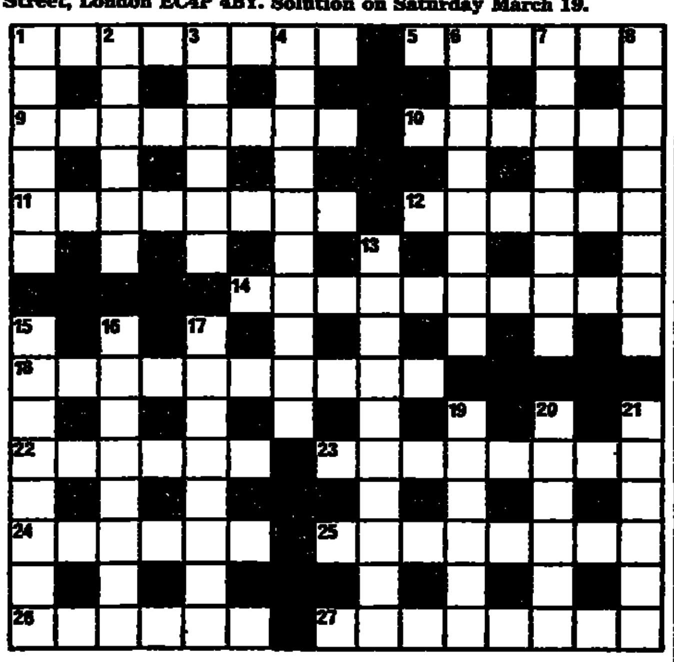
With the Triple Crown out of England's sights, they might relax enough to play a more expansive game. Let's hope so.

But let us return, finally, to Welsh arrogance and to Jonathan Davies, who will be the centre of attention today. He is the king, and at that well-known Welsh foundry they are already fashioning the Triple Crown.

FT CROSSWORD No.6,573

SET BY CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday March 16, marked Crossword 6,573 on the envelope, to the Financial Times, 10 Cannon Street, London EC4P 4BY. Solution on Saturday March 19.



ACROSS

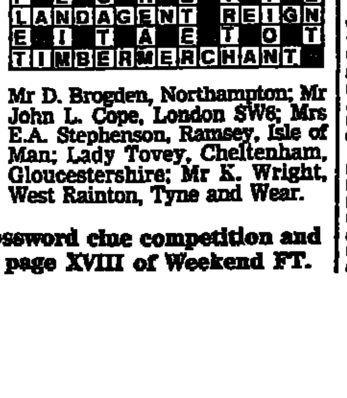
1 Scold a dealer with soles? (8)
5 Violets do for a dealer with souls? (6)
9 Having only one chair and no waistcoat (3-5)
10 A student chap in retreat (6)
11 Despair of taking loose shoe in one's stride? (4,4)
12 Entirely French cat entertains the house (6)
14 Battling brother, pretty affected by awful muddle (10)
18 Battling brother left point between rivers (10)
22 China animal takes another's food (6)
23 Gamble by single people, for example (8)
24 Straw in Central America (6)
25 Copy conditions for emu's tail (8)
26 Gratitude for fast gift (6)
27 Tacit knowledge following up numbers that are wrong (8)

DOWN

1 Repair one's state of health (6)
2 Who gives employment after work's gone up? Not a single person! (6)
3 Summons man to show agony (6)
4 Weep for cad destroyed in compact (4,6)
6 Crater with no top, an evil place (4-4)
7 Incongruous type of humour about boy prime minister? (4,4)
8 Musicians, watches and workers should (4,4)
13 Atonement from uncle? (10)
15 Have cannabis in store? Likely to be in the soup! (8)
16 Watcher posted in elevated railway (8)
17 Thinker could be one and same (5,3)
19 After Scottish drink, softly take forbidden fruit (6)
20 Measure used by printers, lawyers and king to go on board (6)
21 An ecclesiastic of a mountain range (6)

Solution to Puzzle No.6,572

Solution and winners of Puzzle No.6,561



Mr D. Brogden, Northampton; Mr John L. Cope, London SW6; Mrs E.A. Stephenson, Ramsey, Isle of Man; Lady Tovey, Cheltenham, Gloucestershire; Mr K. Wright, West Rainton, Tyne and Wear.

Report on the Centenary Crossword clue competition and names of winners appear on page XVIII of Weekend FT.

TELEVISION AND RADIO

SATURDAY

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

IBA Regions as London except at the following times:

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

12:00 pm Small Wonder. 12:30 America's Top Ten. 12:30 am The Forum Presents Sarah Vaughan. 1:30 Sledge Hammer! 2:00 1:40 Starring...The Actors (Richard Dreyfuss).

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

Stereo on FM

BBC RADIO 2

BBC RADIO 3

BBC RADIO 4

SUNDAY

BBC1

BBC2

LONDON

CHANNEL 4

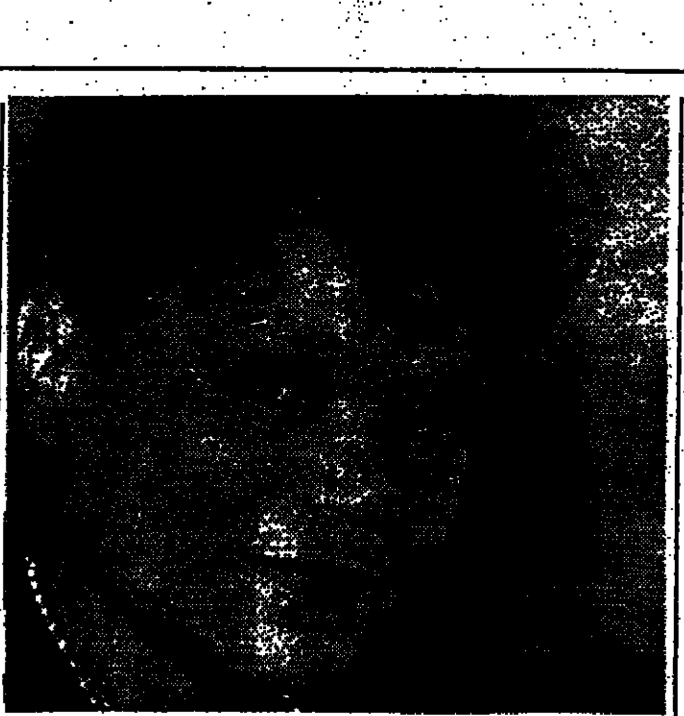
S4C WALES

ANGLIA

BORDER

CENTRAL

CHANNEL



Eartha Kitt, on BBC 2 at 9.35pm, Sunday

GRAMPIAN

GRANADA

HTV

HTV Wales

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

BBC RADIO 2

BBC RADIO 3

BBC RADIO 4